

Press Release

02 March, 2017

Decorazzi Paints Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.5.00 Cr
Long Term Rating	SMERA B-/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) on the Rs. 5.00 crore bank facilities of Decorazzi Paints Private Limited. The outlook is '**Stable**'.

Decorazzi Paints Private Limited (DPPL) was established in 2014 by Mr. Jayanta Kumar Poddar and Mr. Binay Kumar More. The company is engaged in the manufacturing and marketing of decorative paints. The registered office is located at Kolkata.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess extensive experience in the paint industry.

- **Geographically diversified business**

DPPL's dealer network is spread across Karnataka, Tamil Nadu, Maharashtra, Gujarat and Telengana.

Weaknesses

- **Weak financial risk profile**

DPPL's weak financial risk profile is marked by negative net worth of Rs.2.65 cr in FY2016, negative gearing of 2.17 times as on 31 March 2016. The interest coverage ratio (negative) stood at 2.56 times in FY2016. The DSCR stood at (negative) 0.35 in FY2016. The NCA/TD was (negative) 0.36 times in FY2016.

- **Limited track record and low scale of operations**

The company commenced operations in 2014. The scale of operations is small at Rs.5.06 cr in FY2016.

- **Working capital intensive operations**

DPPL's operations are working capital intensive marked by high gross current asset days (GCA) of 319 during FY2016. This necessitates working capital requirement as major funds gets blocked in debtor. The debtor days are high mainly due to late payment received from civil contractors. The debtor days stood at 217 in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of DPPL.

Outlook: Stable

SMERA believes that DPPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to Positive in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16, the company reported loss of Rs.2.10 cr on operating income of Rs.5.06 cr, as compared to loss of Rs.0.65 cr on operating income of Rs.0.43 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Working Capital	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B-/Stable

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ABOUT SMERA

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