

## Press Release

### D R COATS INK AND RESINS PRIVATE LIMITED

27 March, 2018

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 33.00 Cr.
<b>Long Term Rating</b>	SMERA BBB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A3

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.33.00 crore bank facilities of D R COATS INK AND RESINS PRIVATE LIMITED. The outlook is '**Stable**'.

D R Coats Ink and Resins Private Limited (DRCIPL), a Mumbai-based company was incorporated in 2003. Promoted by Mr Drolia and family, the company manufactures synthetic resins such as polyamides, ketonic resins and epoxy resins used in the manufacture of paints, ink, adhesives among others. DRCIPL has two manufacturing units at Gujarat and Maharashtra. The installed capacity stands at 13000 MTPA.

The paint and adhesives segment has accounted for nearly 60 percent of the total sales over the past five years, followed by the ink segment contributing around 20 percent and the remaining being generated from furniture and acrylic. Also, the company generates 65 percent revenue from the domestic market with exports accounting for about 35 per cent.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

The company, incorporated in 2003 is led by Mr. Amit Kumar Drolia and family. Mr. Drolia has more than two decades of experience in the resins industry. SMERA believes that DRCIRPL will sustain its existing business profile on the back of its experienced management and established customer relations over the near to medium term.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 15.48 crore as on 31 March, 2017 as against Rs. 13.69 crores as on 31 March, 2016. The gearing stood at 1.62 times as on 31 March, 2017 as against 1.39 times in the previous year. The total debt of Rs.25.10 crore outstanding as on 31 March, 2017 comprises Rs. 3.01 crore of term loan, Rs. 1.56 crore of unsecured loan from promoters and Rs. 20.53 crore of working capital limits from the bank. The Interest Coverage Ratio stood at 2.29 times in FY2017 as against 2.33 times in FY2016. The DSCR stood at 1.92 times in FY2017 as against 1.97 times in FY2016.

- **Comfortable profitability margins**

The profitability margins of DRCIRPL remained comfortable during the period FY2015 to FY2017. The operating margin improved to 5.33 percent in FY2017 from 4.69 percent in FY2016 on account of decrease in raw material cost. The PAT margins have remained at 1.69 percent in FY2017 as against 1.66 percent in FY2016 majorly on account of increase in the financial cost.

- **Comfortable working capital cycle**

The working capital cycle is comfortable marked by working capital cycle of 72 days in FY2017 as against 52 days in FY2016. This is mainly on account of low inventory holding period of 67 days in FY2017 as against 53 days in FY2016. The receivable days improved to 69 days in FY2017 as against 80 days in FY2016. The average bank limit utilisation stood at ~83 percent for the last six months ended February 2018.

## Weaknesses

- **Susceptibility of operating margins to volatility in raw material prices and forex rates**

The operating margins are susceptible to volatility in raw material prices (resins). Further, the company imports 35 percent of raw materials from Japan, US, Europe and the Middle East. Any adverse change in the exchange rates can impact the profitability margins of the company. However, the risk is mitigated as 32 percent of sales are exported thereby resulting in natural hedge.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of DRCIPL to arrive at the rating.

## Outlook: Stable

SMERA believes that DRCIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than anticipated growth in revenues, achieves sustainable profitability and maintains its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or deterioration in the financial risk profile.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	114.69	113.34	105.09
EBITDA	Rs. Cr.	6.11	5.31	7.20
PAT	Rs. Cr.	1.93	1.88	1.65
EBITDA Margin	(%)	5.33	4.69	6.85
PAT Margin	(%)	1.69	1.66	1.57
ROCE	(%)	15.59	15.37	40.70
Total Debt/Tangible Net Worth	Times	1.62	1.39	1.81
PBDIT/Interest	Times	2.29	2.33	2.02
Total Debt/PBDIT	Times	4.08	3.43	3.81
Gross Current Assets (Days)	Days	157	151	146

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

CRISIL in its rationale dated March 23, 2018 has stated that "CRISIL has been consistently following up with D R Coats Ink and Resins Private Limited (DRIPL) for obtaining information through letters and emails dated December 14, 2017 and January 17, 2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative".

## Any other information

NA

## Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.17	SMERA BBB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A3
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A3
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	5.43	SMERA BBB- / Stable

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## ABOUT SMERA

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