

Press Release

Dugar Polymers Limited

May 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 44.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB** (read as SMERA BB) and short term rating of '**SMERA A4+** (read as SMERA A four plus) on the Rs. 44.00 crore bank facilities of Dugar Polymers Limited. The outlook is '**Stable**'.

DPL was incorporated in the year of 2003 and promoted by Mr. Manoj Kumar Dugar, Mr. Rajesh Kumar Dugar. DPL is primarily into manufacturing of plastic sheets, plastic bars, PVC compound, stretch films etc. These products find various industrial applications like partition, linings, flooring, roofs and cable compound. DPL has three manufacturing facilities out of which, two are located at Dadra & Nager Haveli and one is located in Surat with overall installed production capacity of 1200 metric tonnes per month. DPL also functions as a Del Credere Agent (DCA) for Indian Oil Corporation Limited with respect to sale of polymer products, situated at Hyderabad. The agency division commenced its operations from the year 2011. DPL caters to customer throughout the country on the basis of its strong marketing team in each of the four zones.

Key Rating Drivers

Strengths

• Experienced Management

DPL, incorporated in 2003, has presence of more than 14 years in the polymer industry. DPL is led by Mr. Manoj Kumar Dugar, Mr. Rajesh Kumar Dugar & Renu Dugar. Mr. Manoj Dugar is a Chartered Accountant by profession and Chairman of DPL. He looks after the day to day operations of the company and finance matters.

• Established track of operations & association with IOCL

The firm is into operation for more than a decade. It started its association with IOCL India Limited since 2011 and engaged as consignment stockist and Del Credere Agent for sale of polymer products.

Weaknesses

• Working Capital Intensive

DPL's operations are working capital intensive which is evident from high gross current assets days of 240 days during FY2017. These necessitates working capital requirement as major funds gets blocked in its debtors. Debtor days are stood at 176 days in FY 2017 as compared to 210 in FY 2016.

• High counterparty credit risk

The firm being a DCA/CS for IOCL is exposed to high counterparty credit risk with default on payments is borne by DPL being the DCA/CS (Del Credere Agent/Consignment Stockiest) agent for IOCL for Andhra Pradesh and Telangana states. This results in high working capital requirements, which ultimately influences financial risk profile of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Dugar Polymer Limited (DPL) to

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arrive at the rating.

Outlook: Stable

SMERA believes DPL will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the company registers significant growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability margins, a stretched working capital cycle, or any large debt-funded capital expenditure, resulting in deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	76.27	64.71	60.03
EBITDA	Rs. Cr.	6.67	5.90	5.78
PAT	Rs. Cr.	1.12	1.03	0.77
EBITDA Margin	(%)	8.74	9.11	9.64
PAT Margin	(%)	1.46	1.58	1.28
ROCE	(%)	12.69	12.14	23.84
Total Debt/Tangible Net Worth	Times	2.89	2.89	3.07
PBDIT/Interest	Times	1.79	1.81	1.59
Total Debt/PBDIT	Times	5.04	5.18	5.00
Gross Current Assets (Days)	Days	240	210	226

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA BB / Stable
Bank guarantee/Letter of	Not	Not	Not	5.00	SMERA A4+

Guarantee	Applicable	Applicable	Applicable		
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	1.49	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.16	SMERA BB / Stable

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ABOUT SMERA

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