

Press Release

Deejay Plastics Private Limited

June 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned short term rating of '**ACUITE A4** (read as ACUITE A four)' on the Rs.7.00 crore bank facilities of Deejay Plastics Private Limited. The outlook is '**Stable**'.

Established in 1983, Deejay Plastics Private Limited (DJPL) is a company based out of Chennai (Tamil Nadu). DJPL is the distributor and sales agent for plastic products like Polystyrene, Polypropylene, among others. The company is promoted by Mr. Rajendra Kumar Agarwal who has 35 years of experience in the business.

Key Rating Drivers

Strengths

- Moderate financial risk profile**

The financial risk profile of Deejay Plastics Private Limited is moderate marked by net worth of Rs.8.64 crore as on 31 March, 2017 as against Rs.7.59 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.99 times 31 March, 2017 as against 0.18 times as on 31 March, 2016. The total debt is Rs.8.59 crore as on 31 March, 2017 as against Rs.1.33 crore on 31 March, 2016. The interest coverage ratio stood at 7.45 times for FY2016-17 as against 21.16 times for FY2015-16. Total outside Liabilities to Tangible Net Worth stood at 1.32 times for FY2016-17. Current Ratio stood at 2.47 times for FY2016-17 as against 4.74 times for FY2016-17. Further, Acuité believes that the financial risk profile will remain moderate owing to no major debt funded capex.

- Reputed supplier and diverse retailer base:**

Deejay Plastics Private Limited being the distributor of Reliance Industries Limited (RIL) and ONGC Petro Additions Limited (OPAL), they were able to meet their working capital needs by making use of channel financing. The current channel financing limit of DJPL is Rs.3.50 crore for Reliance Industries Limited (RIL) and Rs.4.00 crore for ONGC Petro Additions Limited (OPAL). They are able to reap the benefit of their relationship with reputed suppliers. The company supplies plastic products to over 100 customers this diversify their retailer concentration risk.

Weaknesses

- Competitive and fragmented industry:**

The company is engaged in the distribution of plastic products such as Polystyrene, Polypropylene. This industry is marked by the presence of large number of unorganised players and very low entry barrier. This exposed the company to competitive pressure.

- Revenue susceptible to crude oil price fluctuation:**

Crude oil is the major raw material for manufacturing Polystyrene and Polypropylene. The revenue is susceptible to crude oil price changes. Crude oil is forecasted to be around \$ 80 per barrel with US abandoning Iran nuclear deal and increasing Middle East political instability.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Deejay Plastics Private Limited.

Outlook: Stable

Acuité believes that DJPL will maintain a 'Stable' outlook in the medium term on account of the promoter extensive experience in the trading industry. The outlook may be revised to 'Positive' in case of higher-than-expected improvement in profitability while improving its capital structure and diversifying its product/supplier base. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital cycle or less-than-expected revenue growth deteriorating its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	12.88	11.07	12.07
EBITDA	Rs. Cr.	1.31	1.84	1.03
PAT	Rs. Cr.	1.04	2.98	0.55
EBITDA Margin	(%)	10.15	16.57	8.53
PAT Margin	(%)	8.12	26.89	4.55
ROCE	(%)	13.87	52.60	44.75
Total Debt/Tangible Net Worth	Times	0.99	0.18	0.25
PBDIT/Interest	Times	7.45	21.16	3.03
Gross Current Assets (Days)	Days	433	236	176

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4

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About Acuité Ratings & Research:

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