



Press Release

Dugar Polymers Limited (DPL)

August 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Bank Facilities – Term Loans	2.35	IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook)
2	Fund Based Bank Facilities – Cash Credit	38.00	
3	Non Fund Based Bank Facilities – Bank Guarantee	5.50	IVR A4+ (IVR A Four Plus)
4	Non Fund Based Bank Facilities – Forward Cover	0.15	
	Total	46.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned Rating derives strength from an experience of the management, established track record of the Company, niche product segment, diversified customer profile, healthy growth prospects and moderate financial risk profile. However, these strengths are partially offset by a moderate scale of operations and highly competitive nature of the industry.

Key Rating Sensitivities

Upward Factor

- Significant and sustained growth in revenues and profitability.
- Significant improvement in debt protection parameters.

Downward Factor

- Any decline in operating revenues, profitability and/or liquidity position.
- Any significant debt funded capex leading to substantial deterioration in debt protection metrics.



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List of key rating drivers with detailed description

Key Rating Strengths

Experienced management and established track record of the Company:

The Company was incorporated in February 2003 by Mr. Manoj Dugar and Mr. Rajesh Dugar. The operations of the Company are spearheaded by Mr. Manoj Dugar, chairman of the Company. He is a Chartered Accountant and possesses over 25 years of experience in the industry.

Niche Product Segment:

As per the management, the Company produces India's highest width and thickness PP-HD Extrusion Sheets. The thickness of the same ranges from 0.8 mm to 200 mm. DPL is the only player in India who produces sheets up to 200 mm thickness. In terms of width also DPL produces sheets up to 3.5 metre width which is highest in the country. This sheets finds various industrial applications such as in building basement, landfills, concrete structures, crystallization pond, neutralizing tank, pond lining, tank lining, chemical area lining, geomembrane liners, etc. The Company also produces solid rods ranging from dia 8mm to up to 350mm. Which is again highest in the Country.

Diversified Customer Profile & Catering to different sector:

The Company has a diversified customer profile including clients across different sectors including Chemical, Steel, Pharmaceutical, etc. The Company has pan India presence through its strong marketing team.

Healthy Growth prospects:

Huge growth opportunities in India for Plastics & allied products due to lower per capita consumption as compared to world average coupled with improving lifestyle due to improvement in per capita income.

Improving EBITDA margin:

The EBITDA margin is improving year on year since past four fiscals as the Company has added high margin products to its product range. The EBITDA margin has improved to 10.63% in FY20 (Provisional) from 6.88% in FY17.



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Moderate financial risk profile:

The financial risk profile of the Company is moderate with overall gearing of 2.03x and TOL/TNW of 2.63x as on March 31, 2020 (Provisional). The debt protection indicators are healthy as on March 2020 with an interest coverage ratio of 1.99 times.

Key Rating Weaknesses

Volatile Scale of Operations:

The total operating income of the Company remained volatile. The Company has reported a total operating income of Rs. 85.24 Crs in FY20 (Provisional) against Rs. 93.81 Crs in FY19 and Rs. 81.91 Crs in FY18. The decline in revenue during FY20 was majorly due to decline in realisation as the price of raw material declined being the crude oil derivatives. The Company is also a Del Credere Agent/Consignment Stockiest of IOCL for polymer products for the states of Andhra Pradesh and Telangana.

Highly competitive nature of the industry:

With an existence of a large number of organised and unorganised players, the industry is highly competitive. This nature of the industry limits the bargaining power of the Company and could place pressure on profitability. The Performance of the Company will remain susceptible to competition from the imports.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate with the current ratio of 1.19x as on 31 March 2020 (Provisional). The cash accruals of the Company are sufficient to service the debt obligations. The Company is having Cash, Bank Balances and Bank deposits of Rs. 2.29 Crs as on 31 March 2020 (Provisional).



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About the Company

Dugar Polymers Limited (DPL) was incorporated in February 2003 by Mr. Manoj Dugar and Mr. Rajesh Dugar. The Company is equipped with state of art infrastructure & facilities with hi-tech machineries inclusive of Extrusion sheet & Rods production plants, PP-HD Pipe Production Lines, Multi-layer Cast Film Production Line, PVC Sheet & Rods production line & PVC Cable Compound production Lines integrated with fine Laboratories equipped with advance Lab Equipment's under three unit situated at Dadra & Nagar Haveli (Unit 1 & 2) and Surat (Unit 3). These products find various industrial applications like partition, linings, flooring, roofs and cable compound. DPL is also a Del Credere Agent/Consignment Stockiest of IOCL for Andhra Pradesh and Telangana states for polymer products. This operations are handled at Unit 4 situated in at Hyderabad.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	81.91	93.81	85.24
EBITDA	6.22	7.68	9.06
PAT	1.27	2.38	3.13
Total Debt	35.24	41.10	37.30
Tangible Net Worth	12.90	15.28	18.40
Ratios			
EBITDA Margin (%)	7.59	8.19	10.63
PAT Margin (%)	1.52	2.49	3.67
Overall Gearing Ratio (x)	2.73	2.69	2.03

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Acuite vide its press release dated June 07, 2019 has informed that the issuer is not co-operating.

Any other information: N.A.



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Fund Based Bank Facilities – Term Loans	Long Term	2.35	IVR BB+/ Stable Outlook	--	--	--
2	Fund Based Bank Facilities – Cash Credit	Long Term	38.00	IVR BB+/ Stable Outlook	--	--	--
3	Non Fund Based Bank Facilities – Bank Guarantee	Short Term	5.50	IVR A4+	--	--	--
4	Non Fund Based Bank Facilities – Forward Cover	Short Term	0.15	IVR A4+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Term Loans	--	--	Up to March 2023	2.35	IVR BB+/ Stable Outlook
Fund Based Bank Facilities – Cash Credit	--	--	--	38.00	IVR BB+/ Stable Outlook
Non Fund Based Bank Facilities – Bank Guarantee	--	--	--	5.50	IVR A4+
Non Fund Based Bank Facilities – Forward Cover	--	--	--	0.15	IVR A4+