

Dormann Doors Private Limited

May 04, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total Facilities	6.00 (Rs. Six Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 26, 2020 placed the ratings of Dormann Doors Private Limited (DDPL) under the 'issuer non-cooperating' category as DDPL had failed to provide information for monitoring of the rating. DDPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 09, 2021, February 19, 2021, March 01, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by DDPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing to small and fluctuating Scale of Operations, weak Profitability margin and leveraged capital structure, Elongated operating cycle and competition from organized and unorganized players.

The ratings, however, continue to take comfort from experienced management.

Detailed description of the key rating drivers

At the time of last rating on March 26, 2020 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Small and fluctuating Scale of Operations

The scale of operations of company is small and fluctuating as marked by total operating income and gross cash accruals of Rs. 37.94 crores and Rs. 0.05 crores respectively during FY20 (FY refers to the period April 01 to March 31). Furthermore, the company's net worth base stood small at Rs. 1.22 crores as on March 31, 2020. The small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Weak Profitability margin and leveraged capital structure

The financial risk profile of the company remained weak for the past three financial years i.e. FY18-FY20 characterized by low profitability margins and leveraged capital structure. The company's profitability margins have been historically on the lower side owing to the low value addition and intense market competition given the highly fragmented nature of the industry. PBILDT margin of the company stood at 2.87% in FY20 as against 3.22% in FY19. However, PAT margin of the company stood below 0.50% in last three financial years on account of high interest cost. The capital structure of the company stood leveraged for the past two financial years (FY19-FY20) on account of low net worth base. The overall gearing ratio stood at 7.61x as on March 31, 2020 as against 5.61x as on March 31, 2019.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Elongated operating cycle

The operations of the company are working capital intensive in nature as marked by Gross Current Asset days of 104 days in FY20. The company maintains sufficient inventory or raw material and finished goods for smooth production process and sales requirement respectively. The same resulted in average inventory holding of 58 days in FY20. The company normally extends credit period of 2-3 months to its customers in order to cater increased competition in the market resulting in average collection period of 44 days in FY20, while receives payable period of 28 days. Though the liquidity indicators of the company appear to be moderate; however, almost full utilisation of working capital borrowings indicates the stretched liquidity position of the company.

Competition from organized and unorganized players

There is stiff competition in the plywood industry due to presence of many organized and unorganized players manufacturing plywood. The company faces competition from established players manufacturing plywood's, laminates door skin etc like Green Ply Industries Limited and Century Ply Board India. Moreover, the company faces competition from traders in this industry.

Key Rating Strengths

Experienced management

Dormann Doors Private Limited was incorporated in 2013. The company is currently being managed by Mr. Kuldeep Mann, Mr. Sudhir Mann and Ms. Madhu Mann who are all graduate by qualification and have been associated with this entity since inception thereby holding an experience of around half a decade. They jointly look after the overall affairs of business. The company is equally supported by Tier-II management consisting of well qualified engineers, along with supervisory staff. The long-standing presence in the industry has enabled the company to establish a healthy relationship with their customers and suppliers

Analytical Approach: Standalone

Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for Trading companies](#)

About the Firm

Delhi based, Dormann Doors Private Limited (DDPL) was incorporated in July 2013 as a private limited company. Currently the company is managed by Mr. Kuldeep Mann, Mr. Sudhir Kumar Mann and Ms. Madhu Mann who hold an experience for more than a decade in this industry. The company is engaged in trading of PVC products, plywood's and laminates, doors skins (i.e. furniture related products used for manufacturing of furniture). Most of the sales are order backed. The company sells these products to wholesalers and furniture manufacturers domestically on PAN India basis. DDPL purchases products from plywood and door skins manufacturers located in the country.

Non BFSI

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	26.86	37.94
PBILDT	0.87	1.09
PAT	0.02	0.05
Overall gearing (times)	5.61	7.61
Interest coverage (times)	1.07	1.07

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (26-Mar-20)	1)CARE B+; Stable (12-Mar-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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