Dhabriya Polywood Limited

March 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	32.15 (Reduced from 33.03)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Dhabriya Polywood Limited (DPL) derives strength from its qualified and experienced promotes, long track record of operations with established presence in the PVC (Polyvinyl Chloride) and UPVC (Unplasticized Polyvinyl Chloride) based products along with reputed clientele. The ratings also factor its diversified product portfolio, moderate financial risk profile on account of debt-funded capex undertaken on a y-o-y basis and adequate liquidity.
The ratings, however, continue to remain constrained on account of DPL's growing albeit moderate scale of operations in an intensely competitive and fragmented industry and susceptibility of its profitability to fluctuation in raw material prices which has led to moderation in profitability during FY22 (FY refers to the period April 01 to March 31) and 9MFY23 (refers to period from April 01 to December 31).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in DPL's scale of operations above Rs.250 crore along with improvement in PBILDT margin to more than 15% on a sustained basis
- Improvement in capital structure with overall gearing less than 0.50 times and operating cycle to less than 100 days
- Improvement in liquidity cushion in terms of unutilised credit lines and GCA days below 150 days on a sustained basis

Negative factors

- Decline in PBILDT margins to 9% on a sustained basis adversely impacting DPL's debt coverage indicators
- Decrease in scale of operations marked by TOI to less than Rs 100 Crore owing to subdued demand from real estate sector
- Any debt-funded project undertaken by the company which results in deterioration of overall gearing above unity.

Analytical approach: Consolidated. The company has operational synergies with its subsidiaries and hence consolidated approach has been considered. List of subsidiaries has been attached as Annexure-6.

Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings expectations that DPL will continue to benefit from vast experience of its promoters and its diversified product portfolio which will support growth in its scale of operations.

Key strengths

Experienced promoters with long track record of operations

Incorporated in 1992, DPL has a track record of around three decades in the industry. Mr. Digvijay Dhabriya, Managing Director, holds a bachelor's degree in mechanical engineering and has three decades of experience in the industry. He looks after overall affairs of the company and is assisted by his son, Mr. Shreyansh Dhabriya who is also actively engaged in establishing sustainable and profitable relationship with teams and customers, dealers and distributors across the country. In addition to this, the company has in-house fabrication and Research and Development facilities for testing of the products.

Diversified clientele and product portfolio with healthy orderbook position

DPL offers wide range of PVC and UPVC based products and has a reputed clientele base. Apart from project sales, DPL has set up a dealer network across key locations and caters to project demand by reputed builders across India. As on March 15, 2023, DPL has an order book of Rs.98.65 crore and its subsidiary company Dynasty Modular Furnitures Private Limited (DMF) had an order book of Rs.21.78 crore, to be executed in ensuing 6-12 months, reflecting healthy order book position.
DPL has a diversified clientele base marked by top five customers accounting for only 11.45% and 10.59% of its TOI during FY22 and 11MFY23 (refers to period from April 01 to February 28) respectively.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate capital structure and debt coverage indicators

DPL's capital structure deteriorated marginally marked by overall gearing of 0.93x as on March 31, 2022 (0.88 times as on March 31, 2021) owing to addition of general-purpose term loans, higher utilisation of working capital limits, infusion of unsecured loans for its capex requirements and procurement of raw material on LC basis from FY22. While DPL undertakes moderate size debt-funded capex regularly for maintenance and refurbishment of existing lines, CARE expects DPL's overall gearing to remain below unity in projected years with scaling up of operations and accretion to reserves.

Further, the debt coverage indicators of the company stood moderate with total debt to gross cash accruals of 6.63 times as on March 31, 2022 deteriorated from 6.13 times as on March 31, 2021 on account of increase in total debt levels. The interest coverage ratio of the company stood comfortable at 3.58 times in FY22, improved from 3.12 times in FY21 owing to decrease in interest cost.

Key weaknesses

Growing scale of operations, albeit on a moderate base

DPL's TOI grew by 25% y-o-y to Rs.133.77 crore in FY22 (FY21: Rs. 106.60 crore) backed by increase in sales from its plastic products division by 36%. The growth was partially offset by dip in modular furniture division by 24% due to subdued demand from the real estate sector.

During 9MFY23 (provisional), DPL reported a TOI of Rs.120.70 crore. Going forward, CARE expects DPL's TOI to scale up further with commencement of commercial operations from its Bengaluru unit, resulting in better reach to its local customers and addition of new extrusion lines in its subsidiary.

Dip in profitability margins during FY22 and 9MFY23, owing to volatility in raw material prices

Partial lockdown restrictions during Q1FY22 led to lower absorption of fixed costs and moderation in DPL's PBILDT and PAT margin by 244 bps (to 10.35%) and 39 bps (to 3.80%) respectively. DPL scaled up gradually and reported better margins in the second half. DPL's profitability was also impacted by volatility in raw material prices as a large part of its order book is fixed price is nature and its primary raw material is a derivative of crude oil, which is governed by macro-economic environment and demand-supply dynamics. Moreover, reliance for 12-15% of raw material requirement through imports exposes DPL to exchange rate fluctuation risk. During 9MFY23 (provisional), DPL reported PBILDT and PAT margin of 9.87% (9MFY22: 9%) and 4.17% (9MFY22: 1.91%) respectively.

Presence in a highly fragmented and competitive industry and exposed to real estate sector

DPL's presence in the highly fragmented industry with presence of few numbers of organized and large numbers of unorganized players exposes the company to high competition. Further, the demand of its products comes mainly from real estate sector which exposes it to cyclical real estate sector.

Liquidity: Adequate

DPL's liquidity remained adequate characterized by healthy cash flow from operations, moderate cushion available in cash accruals vis-à-vis term loan repayment obligations along with its modular capex requirements. DPL has generated CFO of Rs.7.98 (FY21: Rs.7.49 crore) owing to improved collection efficiency despite blockage of funds in inventory. As the procurement from the suppliers and its manufacturing process takes time, DPL maintains an adequate inventory level for timely supply of its products to its customers. Nevertheless, due to improved collection efficiency during FY22, operating cycle of the company improved to 167 days. (FY21: 195 days).

Average utilization of fund-based limits remained high at 93% for the trailing 12 months ended February 2023. Further, DPL has also availed enhancement to Rs.2 crore of its CC limits from ICICI bank in December 2022, to aid its liquidity.

As on December 31, 2022, DPL has a free cash and bank balance of Rs.3.24 crore, apart from lien marked FDs of Rs.2.10 crore. Further, the promoters have demonstrated track record of providing financial support in the form of USL for funding its capex and working capital requirements.

Environment, social, and governance (ESG) risk: Not Applicable

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Manufacturing Companies

[Policy on Withdrawal of Ratings]

About the company and industry

Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Furniture, Home Furnishing

Jaipur (Rajasthan) based DPL was originally incorporated as a private Limited company in 1992 by Mr. Digvijay Dhabriya as "Dhabriya Agglomerates Private Limited" for carrying out trading and manufacturing of PVC and UPVC based products. Later, in August 2014, it was reconstituted into public limited company and assumed its current name i.e. DPL. It got listed on stock exchange in 2014.

The company has three manufacturing facilities located at Sitapura and Malviya Nagar, Jaipur and third one at Bangalore. DPL's plant is certified with International Organization for Standardization (ISO) like ISO 9001:2008 and 14001:2004.

DPL has three subsidiaries mainly PGB, PPP and DMF. The manufacturing facility of DMF is located at Jaipur and PPP's plant is located at Coimbatore.

Dhabriya Polywood Limited (Consolidated)

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	31-12-2022 (Prov.)
Total operating income	106.60	133.77	120.70
PBILDT	13.64	13.85	11.92
PAT	4.47	5.09	5.04
Overall gearing (times)	0.88	0.93	0.74
Interest coverage (times)	3.12	3.58	4.10

A: Audited; Prov.: Provisional

Dhabriya Polywood Limited (Standalone)

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	31-12-2022 (Prov.)
Total operating income	55.31	73.58	60.95
PBILDT	6.51	6.85	6.28
PAT	0.61	1.00	1.78
Overall gearing (times)	1.06	1.11	NA
Interest coverage (times)	1.92	2.04	2.49

A: Audited; Prov.: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	0.88	CARE BBB-; Stable
Fund-based - LT-Cash Credit		-	-	-	17.80	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	January 2027	13.47	CARE BBB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	13.47	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-22) 2)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)
2	Fund-based - LT-Cash Credit	LT	17.80	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-22) 2)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)
3	Fund-based - LT-Bank Overdraft	LT	0.88	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-22) 2)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6 List of subsidiaries has been presented below:

Name of Entities	% of Shareholding (As on March 31, 2022)
Polywood Green Building Systems Private Limited (PGB)	99%
Polywood Profiles Private Limited (PPP)	100%
Dynasty Modular Furnitures Private Limited (DMF)	100%

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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