

## Dugar Overseas Private Limited

March 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	14.84	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	18.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Dugar Overseas Private Limited (DOPL) to monitor the rating(s) vide e-mail communications dated March 13, 2024; March 12, 2024 & November 29, 2023, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings of bank facilities of DOPL will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING / CARE A4; ISSUER NOT COOPERATING.

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

The ratings have been revised on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

**Analytical approach:** Standalone

**Outlook:** Stable

**Detailed description of the key rating drivers:** At the time of last rating action on March 22, 2023, the following were the rating weaknesses and strengths. (Updated for audited financials for FY23 (refers to the period April 1 to March 31) from company)

### Key weaknesses

#### Moderate operational and financial risk profile

The financial risk profile of the company continued to remain moderate. Although, the company reported Y-o-Y growth in TOI of ~20% to Rs 150.85 crores in FY23 as against Rs 125.78 crores in FY22. Further, the PBILDT margin of the company marginally increased to 6.59% in FY23 as against 6.34% in FY22. The growth is primarily owing to the growth in the sales of certain products like Tiffany, Impact mints, Sour Punks and Sour Punk. The capital structure of the company remains leveraged as overall gearing stood at 2.51x as on March 31, 2023 (PY: 2.21x).

#### Volatility in Raw Material Prices:

The major raw material required by the company includes Sugar and Starch which is procured from the local suppliers. Sugar is the main raw material, and its prices are fluctuating because of factors like uncertainty of climatic condition to unpredictable yields. The company has low bargaining power towards increase in final product prices due to highly competitive nature of industry.

#### Foreign Exchange Fluctuation risk:

DOPL imports various products of leading confectionary companies, and it also exports its products to countries like Iraq, Myanmar, Dubai among others. Further, few confectionary items are manufactured in Malaysia and Singapore. These factors make DOPL exposed to foreign currency fluctuation risk.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Fragmented and competitive nature of confectionary industry:**

DOPL operates in a highly competitive food processing and confectionery industry which is characterized by moderately low entry barriers and a large number of organized and unorganized players leading to intense competition. The company faces stiff competition from established players such as Britannia, Parle, Nestle, Cadbury and Yildiz among others who have a well-established distribution network as well as globally recognized brand name. The aforementioned leads to low profitability due to aggressive pricing policies adopted and high advertisement costs borne. Further, the company is susceptible to adverse government regulations needs to adhere to strict processed food quality standards leading to risk of instability in growth. Changes in consumer behaviour give rise to both opportunities and risks. Health trends and the debate on health, weight and sugar can have a negative impact on confectionery consumption.

**Key strengths****Experienced Promoters having experience in the confectionary industry:**

The company is incorporated by Mr. Nagraj Dugar who holds experience of more than 46 years in imports and redistribution. He is assisted by his son, Mr. Manoj Dugar, who looks after imports and purchase for the company and has experience of over 2 decades. Mr. Sanjay Jain, director manages administration, marketing and distribution of the products. He also looks after the exports of the company and has experience of over 21 years. The directors are being supported by qualified and experienced personnel at middle and lower levels of management, assisting them in day-to-day operations.

**Strong relationship with customers and suppliers including large international brands:**

DOPL derives its revenue mainly from three sources; Manufacturing of candies at their Neemrana plant (comprising Heartbeat, Sapphire), Importing (including repackaging) confectionary items from other countries and selling under their distribution network and export to countries like Myanmar, Dubai, Oman, Middle east and Africa. The company has tie-up with General Candy company limited (Thailand) and pays royalty for manufacturing of Candies for Indian market under brand name 'Heartbeat'. Some of the brands for which repackaging is done by DOPL include Jacker, Tiffany, SourPunk and Impact Mints (Germany).

**Diversified Product line along with dedicated R&D department:**

DOPL has a dedicated R&D department at their manufacturing unit at Neemrana that specializes in making centre filled hard boiled candies, milk-based toffees, butter toffees, Eclairs and Deposited Candy. The department is continuously working on developing new products based on the information received from its suppliers in international market about the global demand and from surveys carried out in the domestic market. The products manufactured at Neemrana plant are transferred to the branches (mainly Delhi, Mumbai and Vapi) to sell to the super stockiest.

**Geographical Diversification with large network of distributors and Super stockiest:**

DOPL has large sales channel comprising of 40 stockiest, 1400 distributors and around 200 sales staff. They are spread pan India providing DOPL benefit of large customer base and geographic diversity. The Super-stockiest are located PAN India. DOPL is also registered with most Modern Trade / Airport retail outlets on a PAN India basis including WH Smith, 24 X 7, Big Bazaar, Big Apple, Landmark and many more.

**Liquidity:** Not applicable

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

**Applicable criteria**

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Packaged Foods

DOPL, incorporated in 1992, is a Delhi-based company that trades in and produces confectionery and chocolates like wafer rolls, cookies, Choco coated nuts, Truffles and Crackers under the brand name Sapphire and Heartbeat. Mr. Nagraj Dugar and his family members are the promoters. Also, DOPL has branches in Delhi, Mumbai and Vapi enabling the company to have a pan-India presence. DOPL is also registered with most Modern Trade / Airport retail outlets on a PAN India basis including WH Smith, 24 X 7, Big Bazaar, Big Apple, Landmark and many more.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	86.25	125.78	150.85
PBILDT	5.94	7.98	9.94
PAT	0.34	2.01	3.25
Overall gearing (times)	2.41	2.21	2.51
Interest coverage (times)	1.46	2.17	2.49

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

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

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

**Complexity level of 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-Cash Credit	-	-	-	-	13.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	15-09-2027	1.84	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	-	18.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	1.84	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Mar-23)	1)CARE BB; Stable (24-Mar-22)	1)CARE BB; Stable (30-Mar-21) 2)CARE BB; Stable (06-Apr-20)
2	Fund-based - LT-Cash Credit	LT	13.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Mar-23)	1)CARE BB; Stable (24-Mar-22)	1)CARE BB; Stable (30-Mar-21) 2)CARE BB; Stable (06-Apr-20)
3	Non-fund-based - ST-BG/LC	ST	18.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (22-Mar-23)	1)CARE A4 (24-Mar-22)	1)CARE A4 (30-Mar-21) 2)CARE A4 (06-Apr-20)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

**Annexure-3: Detailed explanation of 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated:** Not applicable

**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](mailto:care@careedge.in) for any clarifications.

### Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	<b>Analytical Contacts</b>  Sajan Goyal Director <b>CARE Ratings Limited</b> Phone: 91-120-4452000 E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a>  Rajan Sukhija Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452000 E-mail: <a href="mailto:Rajan.Sukhija@careedge.in">Rajan.Sukhija@careedge.in</a>  Neeraj Goyal Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Neeraj.Goyal@careedge.in">Neeraj.Goyal@careedge.in</a>
--	---

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information, please visit [www.careedge.in](http://www.careedge.in)**