

Ajay Poly Private Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	113.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Ajay Poly Private Limited (APPL) derive strength from its growing scale of operations driven by its established relationships with Original Equipment Manufacturers (OEMs) in refrigerator industry and growing demand for toughened glass across industries, diversified product profile, and experienced promoters with a long track record of operations. However, these strengths are constrained by a modest financial risk profile marked by high overall gearing owing to corporate guarantee provided to bank facilities of group companies, working capital-intensive operations marked by high receivable days and the cyclical nature of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with total operating income (TOI) above Rs 500 crore with operating margin of more than 12.50% on a sustained basis.
- Improvement in capital structure with overall gearing below unity on a sustained basis.

Negative factors

- Any significant debt-funded capex resulting in the adjusted overall gearing exceeding 2.25x.
- Elongation of working capital cycle above 90 days leading to weakening of liquidity position.
- Decline in scale of operations with PBILDT (Profit before interest, lease rentals, depreciation and taxes) margin below 7% leading to weakening of liquidity profile of the company.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of sustenance of company's scale of operations backed by healthy share of business (SOB) with OEMs and higher contribution from the toughened glass segment.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

APPL is the flagship company of the DCJ Group, founded in 1961 by Mr. DC Jain. The group specializes in manufacturing thermoplastic engineering products, including uPVC doors and window profiles, cPVC pipes and fittings, and automotive products. APPL is led by promoter director Mr. Rajeev Jain, who has over 30 years of experience, along with his brother Mr. Nitin Jain, having more than 25 years of experience. They are supported by CEO Mr. Avanish Singh Visen, who brings 18 years of experience. The extensive experience of the promoters has been key in developing strong, long-term partnerships with established OEMs in refrigerator industry.

Established relationship with OEMs

Since the 1980s, the company has been a leading manufacturer and supplier of refrigeration sealing systems for both household and commercial industries, including Visi-Coolers and chest freezers, serving many prominent brands in India. It operates nine manufacturing units strategically located near OEM plants, providing a competitive advantage. The company's diverse product

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

profile along with its established R&D facility, and ability to quickly scale operations to meet OEM needs has fostered strong relationships with multiple OEMs. Additionally, the company consistently secures repeat orders with the top 3 customers contributing more than 60% of the revenue year-on-year.

Growing scale of operations with diversified product profile

The TOI of the company has grown at a compounded annual growth rate (CAGR) of ~43% for the 5-year period ending March 2024 driven by long relationship with global OEMs and continuous diversification in their product profile. The company has reported a turnover of Rs 365 crore in FY24 (refers to April 01 to March 31) (PY: Rs 241 crore) due to the addition of toughened glass in their repertoire. This toughened glass is utilized in various applications, including refrigerator glass doors, microwave oven glass, washing machine glass, and cooktop glass, while the company also supplies gaskets for refrigeration sealing systems. The gasket business, which previously contributed 60-70% of sales, now accounts for 35%, with the glass segment becoming the major contributor at around 42%. The growth in the toughened glass segment has been supported by the company obtaining Bureau of Indian Standards (BIS) certification, which has propelled volumes for Indian manufacturers and acts as a strong barrier for imports, particularly from China. Additionally, the PBILDT margin has improved to 12.50% (PY: 8.34%) in FY24, due to stabilization in key raw material costs and better absorption of fixed overheads resulting from higher capacity utilization levels.

Key weaknesses

Modest financial risk profile

The company has provided corporate guarantees for the bank facilities of two group entities: Encraft India Private Limited and Ajay Industrial Polymers Private Limited. Consequently, the company's financial risk profile is modest as marked by an adjusted overall gearing (after adjusting the corporate guaranteed loan) of 1.90x as of March 31, 2024 (PY: 1.72x). This increase is attributed to higher working capital utilization in line with growth in scale of operations. However, the debt coverage ratios remain comfortable as marked by interest coverage ratio of 4.66x (up from 4.15x) and a total debt to gross cash accruals (TDGCA) ratio of 3.87x (down from 5.06x) for FY24, owing to improvement in the company's PBILDT margin.

Working capital intensive operations

The company's operations are working capital intensive marked by an operating cycle of 69 days as of March 31, 2024 (PY: 72 days), primarily due to elevated receivable days. Though, receivable days have improved over the past few years from 87 days in FY21 to 52 days in FY24, largely due to increased sales to LG and Samsung, which have a credit period of around 30 days. The company procures its key input, PVC resin, on an advance payment basis, while securing credit terms of 35-40 days for other raw materials. Typically, the company maintains an inventory of about 60 days, mainly consisting of raw materials. Inventory levels generally increase at the end of the year in anticipation of the peak sales season, as OEMs begin manufacturing for the festive season in the first half of the year.

Cyclical nature of industry

The demand for refrigeration sealing systems, polymer extrusions, and toughened glass shelves is closely tied to the growth of the consumer electronics and home appliance market, which can be cyclical in nature, leading to fluctuations in demand based on economic conditions. The industry also faces significant price sensitivity, particularly in cost-conscious markets like India, where manufacturers must deliver affordable yet durable products. Additionally, the competitive landscape is intense, with both domestic and international players offering low-cost alternatives, prompting manufacturers to focus on continuous innovation and optimization of production processes. Fluctuating raw material prices, especially for polymers and glass, can further impact profitability.

Liquidity: Adequate

Liquidity is marked adequate as supported by expected cash accruals of around Rs 35 crore in FY25 relative to moderate repayment obligations of Rs 10.93 crore. The average utilization of working capital limits remains high at around 85% over the 12 months ending August 2024. The current ratio remains comfortable at 1.01x as of March 31, 2024. However, the liquidity profile is constrained by corporate guarantees provided to group entities. The company has no major capex plans in medium term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plastic Products - Consumer

Ajay Poly Private Limited (APPL), the flagship company of the DCJ Group, was incorporated in June 1980. The company operates as a manufacturer and supplier of refrigeration sealing systems for both household and commercial industries. APPL also manufactures glass products for home appliances and produces a wide range of custom-made extruded specialty profiles for various sectors, including healthcare, electronics, and home décor.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	240.90	365.45	245.00
PBILDT	20.10	45.69	-
PAT	11.43	21.10	-
Overall gearing (times)	1.16	1.29	-
Interest coverage (times)	4.15	4.66	-

A: Audited UA: Unaudited; Note: these are latest available financial results
H1FY25: refers to April 01 to September 30.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2029	34.96	CARE BBB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	78.04	CARE BBB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Working Capital Limits	LT	78.04	CARE BBB+; Stable				
2	Fund-based - LT-Term Loan	LT	34.96	CARE BBB+; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

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

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

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About us:

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