

Duroply Industries Limited (Revised)

January 06, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	60.99 (Reduced from 63.18)	CARE BB; Stable	Reaffirmed
Long-term / Short-term bank facilities	0.98	CARE BB; Stable / CARE A4	Reaffirmed
Short-term bank facilities	30.43	CARE A4	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Duroply Industries Limited (DIL) continue to be constrained by its modest scale of operations in FY24 (refers to the period April 01 to March 31) with moderation in operating margin, moderate debt coverage indicators and intense competitive nature of the industry.

The constraints are partially offset by its experienced promoters with long track record of operations, diversified geographical presence having established distribution network and satisfactory capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above Rs.450 crore along with operating margins above 6% on a sustained basis.
- Improvement in working capital cycle.
- Improvement in debt coverage indicators with TDGCA going below 5x on a sustained basis.

Negative factors

- Decline in the scale of operations below Rs.250 crore.
- Deterioration in overall gearing ratio beyond 0.85x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the entity is likely to sustain its financial performance and liquidity profile.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations in FY24 with moderation in operating margin

The company's scale of operations remains modest, with y-o-y growth of approximately 7%, achieving revenues of Rs.322.67 crore in FY24 compared to Rs.302.34 crore in FY23. The increase is on account of higher contract manufacturing sales volume despite decline in realisation from the same. Though realisation of manufacturing sales increased, however, with decline in volume sold, the overall revenue from manufacturing sales witnessed moderation. The PBILDT margin moderated to 3.47% in FY24 as against 5.37% in FY23 on account of increase in cost of material consumed which could not be passed on to the consumers along with increase in employee expenses. Also, there were shortage of raw materials. With moderation in operating margin, PAT margin also witnessed a decline from 1.73% in FY23 to 0.31% in FY24.

In H1FY25, TOI witnessed y-o-y growth of 10.35% to Rs.175.62 crore from Rs.159.15 crore in H1FY24. PBILDT margin stood at 4.33% in H1FY25 as against 4.96% in H1FY24. The slight moderation is on account of the monsoon season along with shortage of raw materials. The company earned PAT of Rs.3.82 crore in H1FY25 as against Rs.1.93 crore in H1FY24. The increase in PAT includes deferred tax asset of Rs.1.41 crore in H1FY25.

Intense competitive nature of the industry

The plywood industry has many unorganised players catering to regional demand to reduce high transportation costs, as price is the main differentiating factor in this segment. This affects the operating margin of established players such as DIL. Plywood demand and prices are also adversely affected by availability of cheap substitutes, such as particle and medium-density fibre boards.

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

Key strengths

Experienced promoters with long track record of operations

DIL has been in the business for more than half a century with the current promoters, signifying its long & established track record. Currently, the day-to-day affairs of the company are managed by Sudeep Chitlangia, Executive Chairman, who has around three decades of experience in the plywood industry, and Akhilesh Chitlangia, Managing Director and Chief Executive Officer. They are supported by other directors and a team of experienced professionals.

Diversified geographical presence having established distribution network

The company has diversified geographical presence, having warehouses in 13 cities with around 70%-80% being derived from 'Duro' brand (in premium plywood segment) and remaining from 'Tower' brand (in affordable plywood segment). The company has appointed a wide network of dealers across various parts of the country who ultimately sell it to the wholesalers/end users.

Satisfactory capital structure albeit moderate debt coverage indicators

The capital structure of the company witnessed improvement marked by overall gearing ratio of 0.59x as on March 31, 2024 as against 0.76x as on March 31, 2023 on account of accretion of profits to reserve and issue of equity shares and warrants to private equity investors. The overall gearing stood at 0.64x as on September 30, 2024. The net worth of the company improved from Rs.87.81 crore as on March 31, 2023 to Rs.125.89 crore as on March 31, 2024 majorly on account of issue of equity and warrants with the company receiving Rs.29 crore on March 27, 2024. Going forward, the company is expected to receive another Rs.15 crore against share warrants.

However, the debt coverage indicators marked by TDGCA moderated and stood at 15.67x as on March 31, 2024 as against 5.94x as on March 31, 2023 due to decline in GCA. PBILDT interest coverage also witnessed moderation from 2.28x in FY23 to 1.38x in FY24.

Liquidity: Adequate

Liquidity is marked adequate with company earning GCA of Rs.4.71 crore as against debt repayment obligations of Rs.3.76 crore in FY24. In FY25, the company has debt repayment obligation of Rs.2.45 crore against which the company is expected to generate sufficient cash accruals (already generated cash accruals of Rs.4.63 crore in H1FY25). The company had free cash and liquid investments of Rs.9.38 crore as on March 31, 2024. The fund-based working capital utilisation of the company stood at 79% during the last 12 months period ended September 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Forest Products

Incorporated in 1957, by late P.D. Chitlangia, DIL started with its commercial operation as Sarda Plywood Industries Ltd (name changed in December 2018). Initially the promoters, started with the business of Tea Chest manufacturing in Jeypore, Assam. Gradually, the company ventured into plywood business and started the commercial production in 1964. In 1996, the company forayed into the Veneer business and expanded its wings by starting a factory in Rajkot, Gujarat. Until 2021, DIL had two segments of operations, processing of tea and manufacturing of plywood out of which it hived off its tea business by way of a slump sale to focus solely on its plywood business. The company sells its plywood under the brand name of 'DURO'. The day-to-day affairs of the company are managed by Sudeep Chitlangia, Executive Chairman, who has around three decades of experience in the plywood industry, and Akhilesh Chitlangia, Managing Director and Chief Executive Officer. They are supported by other directors and a team of experienced professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	302.34	322.67	175.62
PBILDT	16.25	11.20	7.61
PAT	5.23	1.01	3.82
Overall gearing (times)	0.76	0.59	0.64
Interest coverage (times)	2.28	1.38	2.18

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Infomerics continues the ratings of DIL under Issuer Not Cooperating on account of unavailability of information vide press release dated March 18, 2024.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	47.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	January 2032	13.99	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.98	CARE BB; Stable / CARE A4
Non-fund-based - ST-Forward Contract		-	-	-	0.74	CARE A4
Non-fund-based - ST-Letter of credit		-	-	-	29.69	CARE A4

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.98	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (29-Mar-24) 2)CARE BB-;	1)CARE B-; Stable / CARE A4 (07-Feb-23)	1)CARE B-; Stable / CARE A4 (23-Mar-22)

						Stable / CARE A4 (21-Aug-23)		
2	Fund-based - LT-Cash Credit	LT	47.00	CARE BB; Stable	-	1)CARE BB; Stable (29-Mar-24) 2)CARE BB-; Stable (21-Aug-23)	1)CARE B-; Stable (07-Feb-23)	1)CARE B-; Stable (23-Mar-22)
3	Fund-based - LT-Term Loan	LT	13.99	CARE BB; Stable	-	1)CARE BB; Stable (29-Mar-24) 2)CARE BB-; Stable (21-Aug-23)	1)CARE B-; Stable (07-Feb-23)	1)CARE B-; Stable (23-Mar-22)
4	Non-fund-based - ST-Letter of credit	ST	29.69	CARE A4	-	1)CARE A4 (29-Mar-24) 2)CARE A4 (21-Aug-23)	1)CARE A4 (07-Feb-23)	1)CARE A4 (23-Mar-22)
5	Non-fund-based - ST-Forward Contract	ST	0.74	CARE A4	-	1)CARE A4 (29-Mar-24) 2)CARE A4 (21-Aug-23)	1)CARE A4 (07-Feb-23)	1)CARE A4 (23-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Forward Contract	Simple
5	Non-fund-based - ST-Letter of credit	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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in Kamal Mahipal Assistant Director CARE Ratings Limited Phone: +91-33-4018 1628 E-mail: kamal.mahipal@careedge.in Rajat Tiwari Analyst CARE Ratings Limited E-mail: rajat.tiwari@careedge.in
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