Dhabriya Polywood Limited

March 30, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	33.03 (Enhanced from 29.96)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**33.03 (Rs. Thirty-Three Crore and Three Lakh Only)**		

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Dhabriya Polywood Limited (DPL) continues to derive strength from its proven track record of around three decades in PVC (Polyvinyl Choride) and UPVC (Unplasticized polyvinyl chloride) based products with reputed clientele, diversified product profile having wide applications across different user industry resulting in low customer concentration risk, healthy order book position and vast experience of the promoters in the industry. The ratings also take cognizance of DPL's moderate capital structure & debt coverage indicators and adequate liquidity.

The ratings, however, continues to remain constrained on account of DPL's moderate scale of operations in a highly fragmented and competitive industry and moderate profitability which is susceptible to volatility in the raw material prices and exchange rate fluctuations, and project implementation risk.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained increase in DPL's scale of operations along with improvement in PBILDT margin to more than 15% on a sustained basis
- Sustained improvement in capital structure with overall gearing less than 0.50 times and operating cycle to less than 100 days

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any debt-funded project undertaken by the company which results in deterioration of capital structure beyond unity
- Decrease in scale of operations marked by TOI to less than Rs 100 Crore owing to subdued demand from real estate sector

Detailed description of the key rating drivers

Key Rating Strengths

Established track record with diversified product profile and reputed clientele

Incorporated in 1992, DPL has an established track record in manufacturing wide range of PVC and UPVC based products, furniture, and modular kitchens. DPL has set up a dealer network across key locations and caters to project demand by reputed builders across India. Dealer network contributes around 60-65% of DPL's revenue and balance is derived from contract-based project demand. As on February 28, 2022, DPL has an order book of Rs.96.10 crore and its subsidiary company Dynasty Modular Furnitures Private Limited (Subsidiary company) had an order book of Rs.5.91 Crore, to be completed in 1.5 - 2 years reflecting healthy order book position.

Low customer concentration risk

DPL has a diversified clientele base marked by top five customers accounting for only 8.85% and 7.87% of its TOI during FY21 (FY refers to the period April 01 to March 31) and 9MFY22 (refers to period from April 01 to December 31) respectively.

Moderate capital structure and debt coverage indicators

DPL's capital structure continues to remain moderate marked by an overall gearing of 0.88x as on March 31, 2021 as against 0.87x as on March 31, 2020. Increase in total debt is due to higher utilisation of working capital facilities and disbursement of new term loans which was partially offset by repayment of unsecured loans in FY21 and accretion of profits to reserves to net worth.

Further, the debt coverage indicators of the company stood moderate with total debt to gross cash accruals of 6.13 years as on March 31, 2021, deteriorated from 5.27 years as on March 31, 2020 mainly on account of decrease in GCA level and increase in total debt. The interest coverage ratio of the company stood moderate at 3.20x in FY21, improved from 3.04x in FY20 owing to reduction in interest cost.

Experienced management

Mr. Digvijay Dhabriya, Managing Director, holds a bachelor's degree in Mechanical Engineering and has two decades of experience in the industry. He is actively supported by the second generation of the family and a team of experienced professionals across different functions in taking strategic decisions concerning the company.

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

Key Rating Weaknesses

Growing scale of operations, albeit on a modest base along with moderation in profitability during 9MFY22

DPL reported marginal decline in its total operating income (TOI) to Rs. 106.96 crore (PY: Rs.112.44 crore) due to disruption in operations due to nation-wide lockdown in Q1FY21 (refers to period from April 01 to June 30). Operations scaled up from Q2FY22 (refers to period from July 01 to September 30) with gradual lifting of lockdown restrictions and as per provisional results for 9MFY22, DPL reported a TOI of Rs.93.76 crore as against Rs.74.96 crore during 9MFY21.

DPL's profitability remained stable in FY21 marked by PBILDT margin of 13.09% (PY: 13.46%) and PAT margin of 4.18% (PY: 3.92%). However, partial lockdown restrictions during Q1FY22 (refers to period from April 01 to June 30) has led to lower absorption of fixed costs leading to moderation in PBILDT and PAT margins to 9% and 1.91% during 9MFY22.

Project implementation risk

DPL completed setting up of solar power plants at Sitapura Unit and Malviya Nagar Unit and it was commissioned in October 2020 and May 2021 respectively. The power generated from solar plants is used for captive consumption. The ongoing project of shifting its manufacturing facility from Coimbatore (Tamil Nadu) to Bangalore (Karnataka) has been hit by COVID led disruptions and has faced significant time overrun. As per revised timelines, DPL is envisaged to complete the project and commence commercial operations from its new facility from April 2022.

Susceptibility of margins to volatile raw material prices and foreign exchange fluctuation risk

Considering DPL's main raw material and highest cost component, PVC, is a derivative of crude oil, the company's profitability remains susceptible to fluctuations in crude oil prices. Nevertheless, DPL has been able to pass on the increase in raw material prices to the customers, albeit with a time lag. In addition to this, the profitability is also exposed to fluctuations in foreign currency, as the company imports around 14% of its raw material requirement without any active hedging policy.

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 is characterized by sufficient cushion in cash accruals vis-à-vis term loan repayment obligations along with its modular capex requirements. Average utilisation of its fun-based limits remains moderate at 75% during trailing 12 months ending February 2022. However, owing to higher inventory holding period and early settlement of creditors, the operating cycle of the company elongated to 193 days in FY21 (FY20: 173 days). The current ratio stood moderate at 1.61x as on March 31, 2021, however, quick ratio stood below unity level at 0.74x as on March 31, 2021 due to high inventory. Further, DPL is envisaged to generate GCA in the range of Rs.7- 12 crore during FY22-FY24 against repayment obligation ranging around Rs.5.50 - Rs.7.65 crore.

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.

Applicable Criteria

Policy on default recognition
Financial Ratios- Non-Financial Sector
Liquidity Analysis of Non-Financial Sector
Criteria for assigning Rating Outlook and Credit watch
Manufacturing Companies
Criteria on Consolidation

About the Company

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 Coimbatore, Tamil Nadu. 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)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (Prov.)
Total operating income	112.44	106.96	93.76
PBILDT	15.14	14.00	8.44
PAT	4.41	4.47	1.79
Overall gearing (times)	0.87	0.88	0.75
Interest coverage (times)	3.04	3.20	2.80

A: Audited; Prov.: Provisional

Dhabriya Polywood Limited (Standalone)

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (Prov.)
Total operating income	60.48	55.61	50.34
PBILDT	8.56	6.81	4.56
PAT	1.45	0.61	0.24
Overall gearing (times)	0.87	1.06	NA
Interest coverage (times)	2.49	2.01	1.74

A: Audited; Prov.: Provisional; NA: Not 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	January, 2027	15.45	CARE BBB-; Stable
Fund-based - LT-Cash Credit		-	-	-	15.80	CARE BBB-; Stable
Fund-based - LT-Bank Overdraft		-	-	-	1.78	CARE BBB-; Stable

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-Term Loan	LT	15.45	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)	1)CARE BBB-; Stable (14-Feb-19)
2	Fund-based - LT-Cash Credit	LT	15.80	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)	1)CARE BBB-; Stable (14-Feb-19)
3	Fund-based - LT-Bank Overdraft	LT	1.78	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Apr-21)	-	1)CARE BBB-; Stable (31-Mar-20)	1)CARE BBB-; Stable (14-Feb-19)

* Long Term / Short Term

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 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: Bank Lender Details for this Company
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, 2021)
Polywood Green Building Systems Private Limited (PGB)	99%
Polywood Profiles Private Limited (PPP)	100%
Dynasty Modular Furnitures Private Limited (DMF)	100%

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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