Dormann Doors Private Limited

March 12, 2019

Rating

Facility	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	6.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total facilities	**6.00 (Rs. Six Crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Dorman Door Private Limited (DDPL) is primarily constrained by small and fluctuating scale of operation, weak profitability margin and leveraged capital structure. The rating is further constrained by elongated operating cycle and presence of company in highly competitive industry. The rating, however, draws comfort from experienced management.

Going forward; ability of the company to profitably increase its scale of operations while improving its capital structure shall be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small and fluctuating Scale of Operations

The scale of operations of firm is small and fluctuating as marked by total operating income and gross cash accruals of Rs. 19.81 crores and Rs. 0.05 crores respectively during FY18 (FY refers to the period April 01 to March 31). Furthermore, the company's net worth base stood small at Rs. 1.15 crores as on March 31, 2018. The small scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits. The decline in scale of operation from Rs. 30.91 crore in FY17 is on account of increased competition resulting in reduced turnover.

Further the company recorded TOI of Rs ~22 crore in 10MFY19 (April 1 to January 31) ending February 28, 2019 on provisional basis.

Weak Profitability margin and leveraged capital structure

The financial risk profile of the company remained weak for the past three financial years i.e. FY16-FY18 characterized by low profitability margins and leveraged capital structure

The firm's profitability margins have been historically on the lower side owing to the low value addition and intense market competition given the highly fragmented nature of the industry. PBILDT margin of the company stood at 3.75% in FY18 as against 2.46% in FY17. The improvement in PBILDT margin was mainly on account of lower cost of traded products and sale of higher margin products. However, PAT margin of the company stood below 0.50% in last three financial years on account of high interest cost.

The capital structure of the company stood leveraged for the past two financial years (FY17-FY18) on account of low net worth base. The overall gearing ratio stood at 5.72x as on March 31, 2018 as against 4.58x as on March 31, 2017. The deterioration in overall gearing was mainly on account of increased working capital borrowings.

Elongated operating cycle

The operations of the firm are working capital intensive in nature as marked by operating cycle of 123 days in FY18. The company maintains sufficient inventory or raw material and finished goods for smooth production process and sales requirement respectively. The same resulted in average inventory holding of 48 days in FY18. The firm normally extends credit period of 4-5 months to its customers in order to cater increased competition in the market resulting in average collection period of 160 days in FY18, while receives payable period of 85 days.

Further, the average working capital utilization remained 90% utilised for past 12 months period ending January 31, 2019. Though the liquidity indicators of the company appears to be moderate; however, almost full utilisation of working capital borrowings indicates the stretched liquidity position of the company.

Competition from organized and unorganized players

There is stiff competition in the plywood industry due to presence of many organized and unorganized players manufacturing plywood. The firm faces competition from established players manufacturing plywood's, laminates door

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

skin etc like Green Ply Industries Limited and Century Ply Board India. Moreover the firm faces competition from traders in this industry.

Key Rating Strengths

Experienced management

Dormann Doors Private Limited was incorporated in 2013. The company is currently being managed by Mr. Kuldeep Mann, Mr. Sudhir Mann and Ms. Madhu Mann who are all graduate by qualification and have been associated with this entity since inception thereby holding an experience of around half a decade. They jointly look after the overall affairs of business. The company is equally supported by Tier-II management consisting of well qualified engineers, along with supervisory staff. The long standing presence in the industry has enabled the company to establish a healthy relationship with their customers and suppliers.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[CARE's methodology for manufacturing companies](#)
[Financial ratios – Non-Financial Sector](#)

About the company

Delhi based, Dormann Doors Private Limited (DDPL) was incorporated in July 2013 as a private limited company. The company is engaged in trading of PVC products, plywood's and laminates, doors skins (i.e. furniture related products used for manufacturing of furniture)

(In crores)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	30.91	19.81
PBILDT	0.76	0.74
PAT	0.03	0.04
Overall gearing (times)	4.58	5.72
Interest coverage (times)	1.13	1.10

A-Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the company at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B+; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B+; Stable	-	-	-	-

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