

Dormann Doors Private Limited

March 26, 2020

Ratings

Facilities	Amount (Rs. Crore)	Rating ¹	Remarks
Long Term Bank Facilities	6.00	CARE B; Stable; ISSUER NOT COOPERATING* (single B; Outlook Stable Issuer Not Cooperating)	Issuer not Cooperating; Revised from CARE B+;Stable on the basis of best available information
Total	6.00 (Rs. six crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Dormann Doors Private Limited (DDPL) to monitor the rating vide e-mail communications dated March 18, 2020, March 17, 2020, March 05, 2020, December 27, 2019 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 best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on DDPL's bank facilities will now be denoted as **CARE B; Stable 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 ratings.

The rating is revised by taking into account no due-diligence conducted due to non-cooperation by DDPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The revision of rating 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.

Detailed description of the key rating drivers

At the time of last rating on March 12, 2019 the following were the rating weaknesses and strengths:

Key Rating Weakness

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. 26.86 crores and Rs. 0.03 crores respectively during FY19 (FY refers to the period April 01 to March 31). Furthermore, the company's net worth base stood small at Rs. 1.17 crores as on March 31, 2019. The small scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits.

Weak Profitability margin and leveraged capital structure

The financial risk profile of the company remained weak for the past three financial years i.e. FY17-FY19 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 3.22% in FY19 as against 3.75% in FY18. 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 (FY18-FY19) on account of low net worth base. The overall gearing ratio stood at 5.61x as on March 31, 2019 as against 5.72x as on March 31, 2018.

Elongated operating cycle

The operations of the firm are working capital intensive in nature as marked by operating cycle of 84 days in FY19. 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 70 days in FY19. 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 76 days in FY19, while receives payable period of 61 days. Though the liquidity indicators of the

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

*Issuer did not cooperate; Based on best available information

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 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. Currently the company is managed by Mr. Kuldeep Mann, Mr. Sudhir Kumar Mann and Ms. Madhu Mann who hold an experience for more than a decade in this industry. 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). Most of the sales are order backed. The firm sells these products to wholesalers and furniture manufacturers domestically on PAN India basis. DDPL purchases products from plywood and door skins manufacturers located in the country.

(Rs. In crores)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	19.81	26.86
PBILDT	0.74	0.87
PAT	0.04	0.02
Overall gearing (times)	5.72	5.61
Interest coverage (times)	1.10	1.07

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

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; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (12-Mar-19)	-	-

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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