



Press Release

Dayana Polyplast Private Limited

November 07, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Facilities - Fund Based Limits - Term Loans	18.14	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	Assigned
Long Term Facilities - Fund Based Limits - Cash Credit	12.00	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	Assigned
Short Term Facilities - Non fund-Based Limits - Letter of Credit	1.50	IVR A4 (IVR A Four)	Assigned
Total	31.64		

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of DayanaPolyplastPrivate Limited (DPPL) derives strength from experienced promoters with long operational track record of the company in the industry, diversified useand favourable end user industries. The rating however is constrained by exposure to volatility in raw material prices and exposure toforeign exchange fluctuations, itspresence in a highly competitive and fragmented nature of the industry. .

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

Downward Factors

- Any decline in scale of operations, profitability and/or liquidity profile of the company.

Key Rating Drivers with detailed description

Key Rating Strengths:



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Long track record and experienced promoters:

The company is being managed by experienced promoter, Mr. Bharat Patel – second generation entrepreneur in manufacturing and exporting of woven sacks and tarpaulins. Having operated in industry since years now, the management has established a strong network with suppliers and customers and has established a good track record. Beside the promoter, the company has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall operations and day to day management

Diversified use and favorable end user industry:

Polypropylene (PP) has high tensile strength and plastic woven sacks are much cleaner both in use and production and resist fungal attack. Air permeable sacks made from PP are suitable for the packaging of diversified products like cement, fertiliser, other chemical products, food grains, oil seeds, sugar, salt etc. Due to numerous advantages of PP woven sacks over jute sacks, these are finding more and more applications in packaging of a wide range of products of various industries.

Key Rating Weaknesses:

Intense competition:

The PP bags industry has a large number of small players because of low entry barriers due to limited capital requirement, technology complexity, and gestation period. The fragmentation has resulted in intense competition, which limits players' bargaining power. Regular capacity addition adds to the competitive pressure.

Volatility in input prices:

Prices of the key raw materials such as low-density polyethylene, linear low-density polyethylene, high-density polyethylene (HDPE) and polypropylene (PP) granules are linked to global crude oil movements, hence volatile. Since raw material cost accounts for a bulk of total production cost, variation in rates may impact profitability.

Concentration Risk:



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The Company faces the risk of customer concentration whereby top 10 customer account for 73% revenue.

Exposure to foreign exchange fluctuations:

Since a bulk of the sales is made to foreign countries, the firm is exposed to unexpected foreign exchange price movements, as the export realisations are generally in US\$ terms.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity -Stretched

The company has a stretched liquidity profile with gross cash accrual is tightly matching with the repayment obligation. The average cash credit utilisation was around 95% during the last twelve months ended August 2020.

About the Company:

Dayana Polyplast Private Limited (DPPL) is a company incorporated on 23rd October 2009, promoted by Mr. Bharat Patel and Mr. Pragnesh Patel was engaged in the manufacture and export of HDPE/PP tarpaulins. Traditional tarpaulin market was dominated by Traders, and had limited scope of growth and expansion. Considering this limitation, directors decided to enter into the new market segment of PE/PP/BOPP and Block Bottom Valve Bags. The manufacturing facility of the company is located at Hajipur with an installed capacity of 10,500 metric tons per annum (MTPA).

DPPL is one of the eminent manufacturer and exporter of wide range of PP and HDPE woven sacks, BOPP multicolor bags, metallic bags and flexible pouches. The company produces around 850MT of PP/HDPE every month with support of 82 Looms. The manufacturing facility of the company has an ISO 9001:2015 and 14001:2015 certified which helps in wide acceptance of its products in the market.

Financials: Standalone

(Rs. Crore)



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For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Audited)
Total Operating Income	74.82	65.47
EBITDA	9.02	9.39
PAT	(0.25)	0.22
Total Debt	36.66	30.44
Tangible Net-worth	19.52	23.46
Ratios		
EBITDA Margin (%)	12.05	14.35
PAT Margin (%)	(0.34)	0.34
Overall Gearing Ratio (x)	1.88	1.30

Status of non-cooperation with previous CRA:

Aacute Ratings in their press release dated January 02nd, 2020 has classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

India Rating & Research in their press release dated September 10th, 2018 has classified the case under Issuer Not Co-operating.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facilities - Fund Based Limits - Term Loans	Long Term	18.14	IVR BB-/Stable (IVR Double B minus with Stable Outlook)	--	--	--
2	Long Term Facilities - Fund Based	Long Term	12.00	IVR BB-/Stable (IVR Double	--	--	--



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
	Limits - Cash Credit			B minus with Stable Outlook)			
3	Short Term Facilities - Non fund-Based Limits - Letter of credit	Short Term	1.50	IVR A4 (IVR Single A Four)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facilities - Fund Based Limits - Term Loans	--	--	--	18.14	IVR BB-/Stable
Long Term Facilities - Fund Based Limits - Cash Credit	--	--	--	12.00	IVR BB-/Stable
Short Term Facilities - Non fund-Based Limits - Letter of Credit	--	--	--	1.50	IVR A4

Annexure 1: Details of Facilities:

<https://www.infomerics.com/admin/prfiles/Lenders-DPPL-07-11-2020.pdf>