



Press Release

Dugar Polymers Limited (DPL)

April 03, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term fund-based facilities – Term Loan	32.57 (increased from Rs.31.20 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Upgraded; Removed from ISSUER NOT COOPERATING* category / Assigned	Simple
Long term fund based working capital facilities – Cash Credit and Channel Finance	40.00 (Increased from Rs.38.75 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Upgraded; Removed from ISSUER NOT COOPERATING* category / Assigned	Simple
Short term non-fund based working capital facilities – Bank Guarantee	24.00 (Increased from Rs.5.50 crore)	IVR A3 (IVR A Three)	Upgraded; Removed from ISSUER NOT COOPERATING* category / Assigned	Simple
Proposed long term facilities - Cash Credit	5.00 (increased from Rs.0.40 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Upgraded; Removed from ISSUER NOT COOPERATING* category / Assigned	Simple
Short term non-fund-based facilities - Forward Cover	0.00 (reduced from Rs.0.15 crore)	-	Withdrawn	Simple
Total	101.57 (Rupees One hundred one crore and fifty-seven lakhs only)			

Details of facilities are provided in Annexure I

Detailed Rationale

The upgradation in the ratings assigned to the bank facilities of Dugar Polymers Limited (DPL) factors in the increase in the scale of operations and profitability during FY23 and 9MFY24. the rating also continues to take cognizance of the experienced management and established track record of the company, niche product segment with product diversification, diversified customer profile & catering to different sector and healthy growth prospects.

The rating assigned is constrained on account of the Moderate capital structure and debt coverage indicators, Intense competition, commoditised nature of raw material, working capital intensive nature of operation.



Press Release

The rating was migrated to ISSUER NOT COOPERATING category as the company had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, DPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

The withdrawal of the rating assigned to the forward cover limits takes into account the cancellation of the limits by the bank along with the subsequent request received from the company for withdrawal of rating. The rating is withdrawn in line with Infomerics' policy on withdrawal.

Key Rating Sensitivities:

Upward Factors

- A sustained improvement in the revenue with increase in the profitability and debt protection metrics
- Sustained increase in the profitability of the company

Downward Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Reduction in the profitability of the company marked by the increase in the raw material prices or other factors.
- Moderation in the capital structure with deterioration in overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Increase in the scale of operations and profitability

The company registered an increase in the sales by ~7% to Rs.132.57 crore from Rs.122.24 crore reported in FY22, backed by the increase in the sales quantity, the effect of which was partially moderated by the decrease in the sales realization. Both the increase in the sales quantity and reduction in the sales realization was due to the addition of the new product in the portfolio of the company which carries lower realization. However, the company registered largely stable EBITDA and PAT margin in the range of 9.50 to 10.00% and 3.00 -.3.50% respectively for both these years. Furthermore, with the introduction of the new product the



Press Release

EBITDA margins have started seen an increasing trend as visible from the EBITDA margin of 10.12% reported in 10MFY24 (FY23 - 9.56%). The company has reported a sales of Rs.97.65 crore in 9MFY24.

Experienced management and established track record of the company

The company was incorporated in February 2003 by Mr. Manoj Dugar and Mr. Rajesh Dugar. The operations of the company are spearheaded by Mr. Rajesh Dugar, Managing Director of the company, who possesses over 25 years of experience in the industry.

Niche product segment, with product diversification

As per the management, the company produces India's highest width and thickness PP-HD Extrusion Sheets. The thickness of the same ranges from 0.8 mm to 200 mm. DPL is one of the few players in India who produces sheets up to 200 mm thickness. In terms of width also DPL produces sheets up to 3.5 metre which is highest in the country. This sheet finds various industrial applications such as in building basement, landfills, concrete structures, crystallization pond, neutralizing tank, pond lining, tank lining, chemical area lining, geomembrane liners, etc. The Company also produces solid rods ranging from diameter of 8mm to up to 350mm. Furthermore, the company has newly started the production of the aluminium foil food disposable boxes entering into a new segment i.e. manufacturing of Aluminium Foil Containers, Aluminium Foil Rolls & Aluminium Foil cut sheet / lids.

Diversified customer profile & catering to different sector

The company has a diversified customer profile including clients across different sectors including chemical, steel, pharmaceutical, etc. The company has pan India presence through its strong marketing team. With the commissioning of new unit, company will now cater to the needs of various airline, hotels and restaurants, bakeries as well.

Healthy growth prospects

Packaging industry has been an important sector driving technology and innovation growth in the country and adding value to the various manufacturing sectors including agriculture and FMCG segments. Rise in consumption is driven by key aspects of the rising Indian economy namely, strong favourable demographics, increasing disposable income levels, rising consumer awareness and demand for processed food. The growth of individual end user



Press Release

segments of food, beverages, FMCG and pharmaceuticals will trickle down into rising demand of packaging solutions. Government of India recognised the potential of this sector and released a slew of policies like the single use plastic ban policy, profit linked tax incentive for food packaging, adoption of National Packaging Initiative, to further incentivise innovation in this sector.

Adding a new segment to this existing kit of packaging products, Dugar polymers will have added advantage.

Key Rating Weaknesses

Moderate capital structure and debt coverage indicators

Company's capital structure remained moderate with overall gearing ratio of around 2.68x in FY23 (FY22: 2.97x) and Long-Term Debt Equity ratio stood at 1.44x in FY23 (1.43x). The net worth of company stood at INR 33.98 Crore as on 31 March 2023 (INR 28.96 Crore), including the sub-ordinated unsecured loans of Rs.3.89 crore as on March 31, 2023 (Rs.3.22 crore). The main reason for the marginal moderation on y-o-y basis, is the fresh term loans availed for the aluminium foil containers, aluminium foil rolls & aluminium foil cut sheet / lids manufacturing division and the new manufacturing line of plastic sheets & shapes set up in Unit - 5. Simultaneously the debt increased to INR 80.54 Crore in FY23 (INR 76.54 Crore). TOL/TNW stood at 3.36 times as on 31 March 2023 (3.60x). Due to this debt funded capex expansion the Total debt/GCA moderated to 13.96x in FY23 (12.81x). Debt protection parameters also remained moderate with interest coverage ratio of 2.30x in FY23 (2.75x). Total debt/GCA, interest coverage & other debt protection metrics expected to remain moderate moving forward.

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.

Commoditised nature of raw material



Press Release

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.

Working capital intensive nature of operation

Due to the nature of the business the company reported elongated collection cycle at 126 days March 31, 2023; albeit improved from 196 days as on March 31, 2021. The collection cycle remains around 100-130 days due mainly due to the slowdown in the repayments from the IOCL customers for whom DPL acts as a Del-creditor agents. The inventory holding period remained stable since past 3 years at around 1-1.5 months. The creditor's holding period has also remained stable at around 1-1.5 months. Therefore, due to the improvement in the collection period, there is a reduction in the overall operating cycle to 124 days as on March 31, 2023 (134 as on March 31, 2022; 191 as on March 31, 2021).

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

[Policy on complexity of the instruments](#)

[Policy on recognition of default](#)

[Policy on Issuer Not Cooperating and Surveillance/Review of Existing Rating](#)

[Criteria on withdrawal of ratings](#)

Liquidity – Adequate

DPL's liquidity remains adequate with term repayments of Rs.6-7 crore scheduled to be paid for FY24-FY26 against the projected gross cash accruals in the range of Rs.8-15 crore. The company has availed fund based sanctioned limits of Rs.40 crore whose average utilization remains above 90% for the past 12 months ended on Jan 31, 2024. However, the company has requested enhancement of Rs.5 crore which has not been sanctioned yet. Furthermore, the company has reported comfortable current ratio of above unity on the last three balance



Press Release

sheet dates ended March 2023. Also the company maintained comfortable cash and bank balance of over Rs.6.58 crore reported as on March 31, 2023.

About the Company

DPL was incorporated in February 2003 by Mr. Manoj Dugar and Mr. Rajesh Dugar. The company has various machineries manufacturing various products such as plastic sheets & shapes, PVC sheets & compound, packaging film and tapes, located at three units situated at Dadra & Nagar Haveli (Unit 1 & 2) and Surat (Unit 3). DPL is also a Del Credere Agent/ Consignment Stockiest of IOCL for Andhra Pradesh and Telangana states for polymer products. These operations are handled at Unit 4 situated at Hyderabad. DPL has entered a new segment i.e., manufacturing of aluminium foil containers, aluminium foil rolls and aluminium foil cut sheet/ lids, whose unit is situated at Dadra & Nagar Haveli.

Financials (Standalone):

For the year ended* As on	INR in crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	122.24	132.57
EBITDA	12.28	12.68
PAT	4.75	4.35
Total debt	73.33	76.65
Tangible Net worth	25.74	30.09
Ratios		
EBITDA margin (%)	10.05	9.56
PAT margin (%)	3.89	3.27
Overall gearing (x)	2.97	2.68

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Acuite Ratings and ICRA Ratings has continued the rating of DPL into the Issuer Non-Cooperating (INC) category as per the Press Releases dated February 27, 2023 and August 30, 2023 respectively, as the company has failed to provide the requisite information for the rating exercise.

Any other information: N.A.

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (Mar. 16, 2023)	Date(s) & Rating(s) assigned in 2021-22	
							(Feb 14, 2022)	(Sept. 20, 2021)
1.	Term Loan	Long Term	32.57	IVR BBB- / Stable	-	IVR BB+/ Negative; Issuer Not Cooperating *	IVR BBB-; Rating Watch with Developing Implications	IVR BB; Issuer Not Cooperating*
2.	Cash Credit and Channel Finance	Long Term	40.00	IVR BBB- / Stable	-	IVR BB+/ Negative; Issuer Not Cooperating *	IVR BBB-; Rating Watch with Developing Implications	IVR BB; Issuer Not Cooperating*
3.	Bank Guarantee	Short term	24.00	IVR A3	-	IVR A4+; Issuer Not Cooperating*	IVR A3; Rating Watch with Developing Implications	IVR A4; Issuer Not Cooperating*
4.	Proposed long term facilities - Cash Credit	Long term	5.00	IVR BBB- / Stable	-	IVR BB+/ Negative; Issuer Not Cooperating *	IVR BBB-; Rating Watch with Developing Implications	-
5.	Forward Cover	Short term	-	Withdrawn	-	IVR A4+; Issuer Not Cooperating*	IVR A3; Rating Watch with Developing Implications	IVR A4; Issuer Not Cooperating*

**Issuer did not cooperate; based on best available information*

Name and Contact Details of the Rating Team:

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomercis.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



Press Release

from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality 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: Not Applicable

Name of Facility/ Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	July 2031	32.57	IVR BBB-; Stable
Cash Credit and Channel Finance	-	-	-	40.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	24.00	IVR A3
Proposed long term facilities - Cash Credit	-	-	-	5.00	IVR BBB-; Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-DugarPolymers-apr24.pdf>



Press Release

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

