



Press Release

Dayana Polyplast Private Limited

November 02, 2021

Ratings:

(INR Crore)

| Instrument / Facility | Amount | Ratings | Rating Action |
|--|-------------------------------------|--|---------------|
| Long Term Facilities - Fund Based Limits - Term Loans | 12.87 Crore (Reduced from 18.14) | IVR BB/Stable (IVR Double B with Stable Outlook) | Revised |
| Long Term Facilities - Fund Based Limits - Cash Credit | 12.00 | IVR BB/Stable (IVR Double B with Stable Outlook) | Revised |
| Short Term Facilities - Non-Fund Based Limits - Letter of credit | 1.50 | IVR A4 (IVR A Four) | Reaffirmed |
| Total | 26.37 | | |

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the rating to the bank facilities of Dayana Polyplast Private Limited reflects improvement in the revenues and debt protection metrics in FY2021. Further the ratings continue to derive strength from its long track record and experienced promoters, diversified use and favourable end user industry. However, the rating strengths are partially offset by moderate capital structure and debt protection metrics, intense competition, commoditised nature of raw material and exposure to foreign exchange fluctuations.

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 leading to significant deterioration of debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths:

Long track record and experienced promoters:

The company is being managed by experienced promoter who have been in the business of manufacturing and exporting of woven sacks and tarpaulins for more than two decades. 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



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two decades of experience in the segment, to look after the overall operations and day to day management.

Diversified use and favourable 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. 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:

Moderate capital structure and debt protection metrics:

Company's capital structure remained moderate as on the past four account closing dates ending FY21. The Long Term Debt Equity ratio was around 0.87x in FY21 (FY20: 0.78x) and overall gearing ratio stood at 1.33x in FY21 as against 1.30x in FY20. The adjusted net worth of company stood at INR 22.92 Crore as on 31 March 2021 (INR 23.46 Crore). Total debt increased to INR 30.59 Crore in FY21 (INR 30.44 Crore). TOL/ATNW stood at 1.81x as on 31 March 2021 (2.18x) and Total debt/GCA was at 7.02x in FY21 as against 7.78x in FY20. Debt protection parameters though improved but still remains moderate with interest coverage ratio of 1.88x in FY21 (1.65x). Total debt/GCA, interest coverage & other debt protection metrics expected to remain healthy 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:

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.

Exposure to foreign exchange fluctuations:

The company also export and this expose it to currency fluctuation risk as it don't hedge the currency.



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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 98.08% during the last twelve months ended September 2021. The current ratio stood at 1.64 times as on 31st March 2021. Cash and bank balance stood at INR 0.39 Crore as on 31st March 2021.

About the Company:

Dayana Polyplast Private Limited is, managed by Mr. Bharat Patel, Mr. Pragnesh Patel and Mr. Bonny Patel who are 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).

Financials:

(INR Crore)

| For the year ended/ As On | 31-03-2020 | 31-03-2021 |
|-----------------------------|------------|------------|
| | (Audited) | (Audited) |
| Total Operating Income | 65.65 | 79.76 |
| EBITDA | 9.58 | 8.88 |
| PAT | 0.22 | 0.61 |
| Total Debt | 30.44 | 30.59 |
| Adjusted Tangible Net-worth | 23.46 | 22.92 |
| Ratios | | |
| EBITDA Margin (%) | 14.59 | 11.14 |
| PAT Margin (%) | 0.34 | 0.77 |
| Overall Gearing Ratio (x) | 1.30 | 1.33 |

Status of non-cooperation with previous CRA:

Acuite Ratings in their press release dated 15th March 2021 has continued to classify the case under Issuer Not Co-operating status on account of non-submission of relevant information.

India Rating & Research in their press release dated 12th August 21 has continued to classify the case under Issuer Not Co-operating.

Any other information: NA

Rating History for last three years:

| s | Current Ratings (Year 2021-22) | Rating History for the past 3 years |
|---|--------------------------------|-------------------------------------|
|---|--------------------------------|-------------------------------------|



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| | Name of Instrument/ Facilities | Type | Amount outstanding (INR Crore) | Rating | Date(s) & Rating(s) assigned in 2020-21 (07/Nov/20) | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 |
|----|--|------------|--------------------------------|----------------|---|---|---|
| 1. | Long Term Facilities - Fund Based Limits - Term Loans | Long Term | 12.87 | IVR BB/ Stable | IVR BB-/Stable | -- | -- |
| 2. | Long Term Facilities - Fund Based Limits - Cash Credit | Long Term | 12.00 | IVR BB/ Stable | IVR BB-/ Stable | -- | -- |
| 3. | Short Term Facilities - Non Fund Based Limits - Letter of credit | Short Term | 1.50 | IVR A4 | IVR A4 | -- | -- |

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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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Annexure 1: Details of Facilities:

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|--|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Facilities - Fund Based Limits - Term Loans | -- | -- | Upto Aug 2025 | 12.87 | 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 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Dayana-polyplast-lenders-nov21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities:

| Sr. No. | Instrument | Complexity Indicator |
|---------|--|----------------------|
| 1 | Long Term Fund Based Facility – Term Loans | Simple |
| 2 | Long Term Fund Based Facility – Cash Credit | Simple |
| 3 | Short Term Facilities - Non-Fund Based Limits - Letter of credit | Simple |

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 <https://www.infomerics.com/>.