

## Rating Advisory

May 13, 2020 | Mumbai

### Duroply Industries Limited

#### Advisory as on May 13, 2020

This rating advisory is provided in relation to the rating of Duroply Industries Limited

The key rating sensitivity factors for the rating include:

- Revenue and profitability
- Availability of timber, and government policy on imports
- Working capital management
- Capital expenditure (capex) plans and their funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Duroply Industries Limited (DPIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If DPIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About The Company

DPIL, incorporated in 1957 as a private limited company, manufactures plywood and allied products. It became a deemed public limited company in 1974, and is listed on the Bombay Stock Exchange. The company has a plywood manufacturing unit each at Jeypore (Assam) and Rajkot (Gujarat). The plywood is sold under the Duro brand. It also owns a bought-leaf tea processing factory in Jeypore.

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## Rating Rationale

February 20, 2019 | Mumbai

### Duroply Industries Limited

Long-term rating upgraded to 'CRISIL B+/Stable' ; short-term rating reaffirmed

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.73.57 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL B+/Stable (Upgraded from 'CRISIL B-/Stable')</b>
<b>Short Term Rating</b>	<b>CRISIL A4 (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of Duroply Industries Limited (DPIL; formerly known as Sarda Plywood Industries Limited) to '**CRISIL B+/Stable**' from 'CRISIL B-/Stable' and reaffirmed the short-term rating at 'CRISIL A4'.

The upgrade reflects improvement in the company's operating performance supported by closure of a non-profitable factory in Assam, merger of P.S. Plywood Pvt Ltd with DPIL, reduction in imports and improvement of quality of tea used for processing. During 9 months ended December 2018, operating margin improved to about 4.3% (cash accruals of Rs.2.5 crore) as compared to 1.6% (cash loss of Rs.2.3 crore) for the corresponding period previous year. Liquidity is expected to improve over the medium term, driven by healthy growth in revenue and operating margin.

The ratings continue to reflect the company's exposure to intense competition in the plywood industry, and large working capital requirement. These weaknesses are partially offset by DPIL's established market position and the extensive experience of its promoters in the timber industry.

#### Key Rating Drivers & Detailed Description

##### **Weaknesses**

\* **Exposure to intense competition:** The plywood industry has many unorganised players catering to regional demand to reduce high transportation costs, as price is the main differentiating factor in this segment. This affects the operating margin of established players such as DPIL. Plywood demand and prices are also adversely affected by availability of cheap substitutes, such as particle and medium-density fibre boards.

\* **Large working capital requirement:** Gross current assets were 146 days as on March 31, 2018.

##### **Strength**

\* **Established market position:** The company is a leading player in the branded plywood segment with a strong brand, Duro. Also, product profile is diverse with facilities for manufacturing plywood, veneer, and decorative plywood.

##### **Liquidity**

\* Liquidity has improved and is expected to be sufficient against repayment obligation.

\* Bank limit utilisation was moderate at 89% in the 12 months through January 2019.

\* Liquidity is however expected to be supported by inter corporate deposits.

## **Outlook: Stable**

CRISIL believes DPIL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if increase in revenue or profitability leads to substantial cash accrual, or if working capital management improves. The outlook may be revised to 'Negative' if decline in profitability weakens financial risk profile.

## **About the Company**

Incorporated in 1957 as a private limited company, DPIL manufactures plywood and allied products. It became a deemed public limited company in 1974 and is listed on the Bombay Stock Exchange. Units are in Jeypore, Assam, and Rajkot, Gujarat. It also owns a bought-leaf tea processing factory in Jeypore.

## **Key Financial Indicators**

<b>Particulars</b>	<b>Unit</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>Rs crore</b>	<b>217.56</b>	<b>207.47</b>
<b>Profit After Tax (PAT)</b>	<b>Rs crore</b>	<b>-5.01</b>	<b>-1.98</b>
<b>PAT Margin</b>	<b>%</b>	<b>-2.3</b>	<b>-1.0</b>
<b>Adjusted debt/adjusted networth</b>	<b>Times</b>	<b>1.30</b>	<b>1.16</b>
<b>Interest coverage</b>	<b>Times</b>	<b>0.61</b>	<b>0.97</b>

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Bank guarantee	NA	NA	NA	2	CRISIL A4
NA	Cash credit	NA	NA	NA	35.96	CRISIL B+/Stable
NA	Letter of credit	NA	NA	NA	34.61	CRISIL A4
NA	Term loan	NA	NA	Mar-2022	1	CRISIL B+/Stable

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	36.96	CRISIL B+/Stable			27-06-18	CRISIL B-/Stable	09-03-17	CRISIL B-/Stable			CRISIL B+/Stable
Non Fund-based Bank Facilities	LT/ST	36.61	CRISIL A4			27-06-18	CRISIL A4	09-03-17	CRISIL A4			CRISIL A4

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	2	CRISIL A4	Bank Guarantee	2	CRISIL A4
Cash Credit	35.96	CRISIL B+/Stable	Cash Credit	35.96	CRISIL B-/Stable
Letter of Credit	34.61	CRISIL A4	Letter of Credit	34.61	CRISIL A4
Term Loan	1	CRISIL B+/Stable	Term Loan	1	CRISIL B-/Stable
<b>Total</b>	<b>73.57</b>	<b>--</b>	<b>Total</b>	<b>73.57</b>	<b>--</b>

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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