



## Rating Rationale

DD Agro Industries Ltd

28 May 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 15.83 Crores of DD Agro Industries Ltd.**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present
<b>Fund Based</b> Cash Credit Limit Term Loan	10.50 5.15	10.50 3.83	<b>Long Term</b>	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Rating Reaffirmed
<b>Non-Fund Based</b> I.L.C	1.49	1.50	<b>Short Term</b>	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A FourPlus) Reaffirmed
<b>Total</b>	17.14	15.83	<b>INR Fifteen Crores Eighty Three Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Ratings :** Long Term & Short Term Rating Reaffirmed to BWR BB with outlook Stable & BWR A4+ for the bank loan facilities of DD Agro Industries Limited.

### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the Company's audited financial results upto FY18, and available information and clarification provided by the Company.

The ratings draw strength from the extensive experience of the promoters in the same line of business, low gearing level, and moderate scale of operations. The ratings, however, is constrained by decline in revenues, decline in net profitability margins, and elongated conversion cycle. Going Forward the ability of the Company to improve its revenues, improvement in net profitability margins and improve its elongated working capital cycle would be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

1. **Extensive Experience of the Promoters :** The promoters of the Company have rich experience of more than 20 years in the manufacturing of zinc oxide and pet performs. The company has a long track record of more than 20 years that helps them to maintain a better relationship with their customers and suppliers as well.
2. **Low Gearing Ratio :** The Company has low gearing ratio with TOL/TNW of 1.68 Times in FY18, It has increased from 1.49 Times in FY17 due to increase in outside borrowings.
3. **Moderate Scale of Operations :** The Company has moderate scale of Operations marked with a Net Worth of Rs 14.45 Crores and Operating Profitability Margins with 9.07% in FY18.

#### Credit Weakness:

1. **Decline in Revenues :** The company revenues has declined from Rs 50.57 crores in FY17 to Rs 44.95 crores in FY18, due to implementation of GST, However the company has achieved revenues of Rs 51.00 crores till 31.03.19 as informed by the management.
2. **Decline in Net Profitability Margins :** The Company net profitability margins has declined from 1.05% in FY17 to 0.71% in FY18. due to decline in their non operating income.
3. **Elongated Conversion Cycle :** The Company has high conversion cycle of 203 days due to high days receivables of 102 days and days inventory of 145 days in FY18.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### Support from Holding/Subsidiary Firm:

The Company has no associate concerns/subsidiary concerns.

#### Liquidity

The Company has Cash & Bank Balances of Rs 0.99 crores in FY18. Current ratio was at 1.68 times in FY18. Average working capital utilization for the six months period (October 2018 to May 2019) is 98%. The conversion cycle has been high 203 days in FY18. The company has generated net cash from operating activities of Rs 4.75 crores in FY18, The company has current maturities of long term debt is Rs



1.11 crores in FY19. The Company ISCR at 1.32 times and Debt Service Coverage Ratio of 1.00 Times as on March 31 2018.

**Rating Outlook: *Stable***

BWR believes the **DD Agro Industries Limited** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

**About the Company**

DD Agro Industries Limited was incorporated on 21.04.1999, The Company is engaged in manufacturing of Zinc Oxide and Pet Performs. The Company has two manufacturing facilities one is at Ludhiana and the other is in Samba, Jammu and Kashmir. The company is currently managed by Mr Amritdeep Singh, Mr Dinesh Kumar Sharma and Mrs Kamaljeet Kaur.

**Company Financial Performance**

Total operating income (TOI) of the firm has declined from Rs 50.57 Cr in FY17 to Rs 44.95 Cr. in FY18. PAT has declined from Rs 0.53 Cr in FY17 to Rs.0.32 Cr in FY18.

**Key Financial Indicators**

Key Parameters	Units	FY18 (A)	FY17 (A)
<b>Result Type</b>			
Operating Revenue	₹ Cr	44.95	50.57
EBITDA	₹ Cr	4.08	3.88
PAT	₹ Cr	0.32	0.53
Tangible Net worth	₹ Cr	14.45	14.21
TOL:TNW	Times	1.68	1.49
Current Ratio	Times	1.68	1.85

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)				Rating History		
		Type (Long Term/ Short Term)	Current Amount (₹ Crs)	Previous Amount (₹ Crs)	Rating	2018	2017	2016
1	<b>Fund Based</b> Cash Credit Limit Term Loan	Long Term	10.50 3.83	10.50 5.15	<b>BWR BB</b> (Pronounced as BWR Double B ) Outlook: Stable Reaffirmed	BWR BB (Pronounced as BWR Double B) Outlook :Stable	NA	NA
2.	<b>Non Fund Based</b>  I.L.C	Short Term	1.50	1.49	<b>BWR A4+</b> (Pronounced as <b>BWR Single A Four Plus</b> ) Reaffirmed	BWR A4+ (Pronounced as BWR Single A Four Plus)	NA	NA
<b>Total</b>			<b>15.83</b>	<b>17.14</b>	<b>Fifteen Crores Eighty Three Lakhs ₹ Only</b>			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information : Nil

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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