Rating Rationale

Damati Plastics

9 Aug 2018

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 24.05 Crores of Damati Plastics. (DP or Firm)

Particulars

.Facility Rated	Amount (₹. Cr)		Tenure	Rating*	
	Previous	**Present**		**Previous (Apr, 2017)**	**Present**
Fund Based (FB)					
Term Loan	8.00	5.25	**Long Term**	**BWR B+** (Pronounced as BWR Single B Plus) **(Outlook -Stable)**	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook -Stable)** **(Upgrade)**
Non Fund Based (NFB)					
PCL/PCFC Sub limit: CCH	7.00	7.00 (0.50)	**Short Term**	**BWR A4** (Pronounced as BWR A Four)	**BWR A4** (Pronounced as BWR A Four) **(Reaffirmed)**
FDBP/BDFC/BPFC/LAEBC	3.00	2.00			
FDBP/ FUDBP		1.00			
FLC/ILC/LOC (For raw material)	3.00	3.00			
BG	0.40	0.40			
FLC/LOC (for capital goods)		4.00			
Standby credit under exporters gold card scheme		1.40			
Total Limits	**21.40**	**24.05**	**(INR Twenty Four Crores and Five Lakhs Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Being a partnership firm , DP has not provided audited financials data of FY 18 even as on 6.8.2018

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial upto FY17 & , provisional financials of FY18 and projected financials upto FY20, publicly available information and clarifications provided by the firm.

The rating draws comfort from the promoters experience , established track record of the firm , relationship with customers and suppliers marginal improvement in its top line y-o-y basis
increased net profit margin and satisfactory debt protection metrics.
The ratings, however, constrained by small scale of operations along with reduced operating profit margin, high gearing , forex price risk, stretched liquidity. inherent and gap risks

Going forward the ability of the firm to increase its scale of operations with enhanced revenues , improving liquidity position gearing level by infusing own funds and service the debt obligations promptly would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Promoters experience is about 10 years , The firm was established in the year 2003.
Relations with clients and suppliers is about 6-7 years,Debt service protection is at 1.77 X in FY18
Revenue increased from Rs 28.74 Crs in FY16, to Rs29.60Crs in FY17 to 30..31 Crs in FY18 provisional
Net profit margin increased from 0.15% in FY17 to o.50% in FY18 **(FY18 financials data is provisional)**

Credit Risks:

small scale of operations with average revenue of Rs 29.55 Crs in the past last 3 years , operating profit margin is reduced from 16.02%in FY17 to 14.88% in FY18 overall gearing is at 5.30X in FY18
Inherent risk being partnership in constitution , Gap risk between provisional and audited data of FY18
Average financial profile and high leveraged capital structure. **(FY18 financials data is provisional)**

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).

Rating Outlook: *Stable*

BWR believes the **Damati Plastics** 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 Firm

Damati Plastics is a partnership firm incorporated in 2003. The partners are Mr. Kanaiyalal Parwani, Mrs. Meera Kanaiyalal Parwani, Mr. Sunil K. Parwani, Mr. Deepak K. Parwani and Mr. Varun K. Parwani.
The firm has a wide product portfolio includes plastic microwavable food containers, Plastic cutlery and food packaging products. The firm has 2 manufacturing facilities in Daman and Silvassa. These facilities features 35 state of the art plastic moulding machines.

Financial Performance of the Firm

During FY17, firm has reported a total operating income of Rs.29.60 crs with a net profit of Rs.0.04 crs against the revenue of Rs.28.74 Crs with a net profit of Rs.0.02 crs in FY16. Tangible net worth stood at Rs.5.47 crs as on 31Mar2017. On provisional basis, firm has achieved total operating income of Rs.30.31 Crs with a net profit of Rs.0.15 crs. in FY18.

Rating History for the last three years

Si No	Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	21.4.2017	3.1.2017	20.8.2015
1	**Fund Based**	**Long Term**	5.25	**BWR BB- (pronounced as BWR Double B Minus) (Outlook - Stable) (Upgrade)**	**BWR B+ (pronounced as BWR Single B Plus(Outlook -Stable)**	**Rating Not Reviewed**	**BWR B+ (pronounced as BWR Single B Plus) (Outlook - Stable)**
2	**Non Fund Based**	**Short Term**	18.80	**BWR A4 (pronounced as BWR A Four) (Reaffirmed)**	**BWR A4 (pronounced as BWR A Four)**	**Rating Not Reviewed**	**BWR A4 (pronounced as BWR A Four)**
	Total Limits		**24.05**	**(INR Twenty Four Crores and Five Lakhs Only)**			

Status of non-cooperation with previous CRA)-: Not known

Any other Information: Nil

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		**Audited**	**Audited**
Revenue	₹ Cr	28.70	29.60
EBITDA	₹ Cr	3.65	4.74
PAT	₹ Cr	0.02	0.04

9 Aug 2018

Tangible Net worth	₹ Cr	4.25	5.47
Total Debt/Tangible Net worth	Times	4.79	3.27
Current Ratio	Times	0.81	0.86

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh *CGM-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 Investors queries can be sent to info@brickworkratings.com.

9 Aug 2018

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER