DDEV PLASTIKS

Date: 03.03.2023.

To,
The Manager,
Listing Department,
BSE Limited
P.J. Towers, Dalal Street,
Mumbai – 400 001

Scrip: 543547

Sub: Credit Rating
Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Please find enclosed herewith the revised CRISIL Rating Information dated 02nd March 2023. We have been rated as under:

Long Term Rating	CRISIL A / Stable
Short Term Rating	CRISIL A1

Kindly take the aforesaid information on record and oblige.

Thanking You,

Yours faithfully,

For **Ddev Plastiks Industries Limited**

TANVI GOENKA Digitally signed by TANVI GOENKA Date: 2023.03.03 08:54:18 +05'30'

Tanvi Goenka (ACS 31176)
Company Secretary

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CIN : L24290WB2020PLC241791

CRISIL Ratings

Rating Rationale

March 02, 2023 | Mumbai

Ddev Plastiks Industries Limited

Ratings upgraded to 'CRISIL A/Stable/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	**Rs.649 Crore**
Long Term Rating	**CRISIL A/Stable (Upgraded from 'CRISIL A-/Stable')**
Short Term Rating	**CRISIL A1 (Upgraded from 'CRISIL A2+')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on bank loan facilities of Ddev Plastiks Industries Limited (DPIL) to **'CRISIL A/Stable/CRISIL A1'** from 'CRISIL A-/Stable/CRISIL A2+'.

The rating upgrade reflects improvement in business risk profile for DPIL on the back of strong and improving market position. The revenue for FY22 grew by ~45% year of year to Rs. 2249 crores owing to better realizations from increasing share of sales in the high voltage (XLPE) segment and increase in share of exports in the similar period. The growth momentum continued in 9 Months FY23 with the company clocking revenues of Rs 1853 crores as compared to Rs 1619 crores in 9 months FY22.

Operating margins also improved in FY22 to 5.7% from 4.0-4.5% during the earlier 2 fiscals. The improvement in margins was due to the shift in focus of the company from low margin PVC products towards higher margin products within the segment and also increase its share of high margin XLPE compounds. DPIL was able to convert old manufacturing facilities at a low cost to increase the production capacities of higher margin products. DPIL also has a strong inventory management policy where it buys raw material in bulk at lower costs and is able to offload the unused inventory very quickly and at a competitive cost via trading route. Furthermore, the company also has the ability to pass on increase in raw material prices to the customer within a short period of time. Owing to these reasons and the shift to high margin products, operating margins remined strong at ~5.6% during 9 months of fiscal 2023 and are expected to be in the range of 5.5-6.5% over the medium term.

Financial risk profile of the company is comfortable with estimated gearing of 0.82 times as on September 30, 2022 Networth is estimated to be ~Rs 445 crore as on December 31, 2022 and entire debt is in the form of working capital. Debt protection metrics are expected to be adequate with Interest Coverage and Net Cash Accruals to Total debt estimated at ~4.32 times and ~23% as on December 31, 2022. Debt protection metrics are expected to gradually improve over the medium term with increase in scale benefitting cash generation and efficient working capital management.

DPIL has also forayed into producing Halogen Free Flame Retardant (HFFR) compounds and production facilities of ~6000 MT/annum are expected to be commissioned by quarter 1 of fiscal 2024. With increasing focus on XLPE segment and demand picking up further in wires and cables segment, company is expected to cross revenues of Rs. 2400-2500 crores during the full fiscal 2023 and grow at 10-12% annually thereafter over the medium term. Business overall will be supported by extensive experience of the promoters, wide product range, and strong clientele, disciplined inventory management and comfortable capital structure.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of DPIL

Key Rating Drivers & Detailed Description

Strengths:

Healthy business risk profile on the back of strong market position, extensive experience of the promoters, wide product range, and strong clientele:

DPIL is promoted by Kolkata-based Surana family that has been associated with the polymer compounding industry for over five decades. Over the years, the promoters have diversified the product profile, developed a strong understanding of market dynamics, and established healthy relationships with suppliers and customers. Clientele includes large wire and cable companies such as KEI Industries Ltd, Havells India Ltd, Apar Industries Ltd, and KEC International Ltd; apart from some key international manufacturers.

DPIL is the largest polymer compounder in India with capacity of 239,000 tonne per annum (TPA), with market leadership in PE compounds catering to the low, medium and high voltage power cable industry, supported by diversified products used for manufacturing building wires, control and instrumentation cables, and for insulation and jacketing of wires in the wire and cable industry, as well as in the packaging segment. DPIL has also forayed into production of HFFR compounds with capacities of ~6000 MT/annum for commercial manufacturing to be commissioned by quarter 1 of fiscal 2024. The company's strong market position is underpinned by large scale of operations (turnover of Rs 1,853 crore in the nine months ended December 31, 2023) and a diverse customer base.

Disciplined inventory management and strategic location of facilities:
The company has manufacturing facilities on the east and west coasts of India (West Bengal, Daman, and Silvassa). Strategic location of its plants provides logistical advantages for import of raw materials as well as for exports of products. Proximity to suppliers and ports also helps keep a tight control over inventory (20-40 days in the past eight fiscals). DPIL has also increased its shared of imports from Middle east where they get an interest free credit period lowering their working capital requirements. Volatility in raw material prices (crude oil derivatives) impacts operating profitability. However, the discipline in inventory management has helped DPIL to protect its business from sharp changes in raw material prices and sustain operating profitability at 4.5-5.5% over the past.

Comfortable capital structure:
Net worth is estimated to be healthy at ~ Rs 445 crore as on December 31, 2022 resulting in comfortable gearing of 0.82 times. Further, company doesn't have any term loans and entire debt is in form of working capital. With no major capital expenditure (capex) and effective working capital management backed by timely realization of receivables, capital structure is expected to improve over the medium term

Weaknesses
Exposure to intense competition in the compounds market and dependence on large players in the oil and gas industry for raw material
The domestic polymer compounding industry faces intense competition from import from global chemical giants such as Borealis AG, Dow Chemical Company, and Solvay SA. These players have an advantage of large capacity and economies of scale. While these entities mainly cater to specialty grade compounds focused more on high- and extra-high-voltage power cables, DPIL's business performance remains susceptible to competition from imports. Also, the company procures around 60-70% of its raw material from Reliance Industries Ltd (rated CRISIL AAA/Stable/CRISIL A1+), Indian Oil Corporation Ltd (rated CRISIL AAA/Stable/CRISIL A1+), and ONGC Petro-additions Ltd, leading to moderate bargaining power with suppliers.

Susceptibility to sharp volatility in raw material prices and currency rates:
Raw materials, such as LDPE/HDPE and PVC resin, used to manufacture polymer compounds are crude derivatives and some portion of the same is imported. Input prices and currency exchange rates have been volatile in the past because of sharp fluctuations in crude oil prices. While the company has demonstrated discipline in working capital management in the past, its profitability is susceptible to any sharp movement in raw material prices and currency rates.

Modest, although improving, interest coverage ratio:
Interest coverage has historically remained in the range of 2-2.5 times over the past 5 fiscals. However, with increase in scale of operations benefitting cash generation and increased efficiency in working capital management, it has improved to over ~4.32 times for 9 months ended FY23. Over the medium-term Interest cover is expected to further improve to 5-6 times.

<u>Liquidity: Adequate</u>
Liquidity is expected to be adequate with annual expected cash accruals of Rs.85-130 crore and nil repayment obligations. Further company has access to fund-based limits and non-fund-based limits of Rs. 649 crores against which utilization has been ~70% over the past 12 months ending December 2022. Furthermore, the utilization has dropped to ~51% for fund-based limits of Rs 147 crores and ~63% for non-fund based limits of Rs. 502 crores during Q3 of FY23. The company has no plans to undertake any large capex currently and maintenance capex of Rs 8-10 crore/annum is expected to be funded through internal accruals.

<u>Outlook: Stable</u>
CRISIL Ratings believes DIPL will maintain its strong business risk profile backed by its leadership position in the domestic polymer compounds market, increasing focus on XLPE segment, introduction of HFFR compounds and the buoyant growth outlook of its key end-user segments. Increase in scale of operations resulting in increased cash generation and absence of major capex should support the financial risk profile over the medium term.

<u>Rating Sensitivity factors</u>
Upward factors
- Better-than-anticipated revenue growth resulting in increase in scale of operations, supported by increased contribution from HFFR and high voltage segments
- Improving and consistent operating profitability over 8% resulting in cash accrual of over Rs 200 crores
- Maintenance and improvement of strong financial risk profile, through prudent funding of capex, and efficient working capital management.

Downward factors
- Sluggish revenue growth impacting operating profitability (below 4.5-5%) and cash generation
- Debt funded capex and stretch in working capital resulting in weakening of capital structure and debt protection metrics; interest coverage ratio below 2.5 times

<u>About the Company</u>
Ddev Plastiks Industries Ltd, incorporated in December 2020 and promoted by the Surana family, houses the polymer compounding business of the Kkalpana Group. In March, 2022, Kkalpana Industries (India) Limited received NCLT approval

for demerging its compounding business into Ddev Plastiks Industries Ltd. The The compounding business was started in 1985, with a unit in Daman for manufacturing PVC compounds. Sustained expansion has resulted in a diverse product portfolio consisting of PE compounds, PVC compounds, master batches, engineering plastics, and reprocessed compounds. Currently, the company has seven plants across West Bengal, Daman & Diu, Dadra & Nagar Haveli, and Noida and has aggregate installed capacity of 2,39,000 TPA.

Key Financial Indicators

Particulars	Unit	2022	2021
Revenue	Rs crore	2249	1534
Profit after tax (PAT)	Rs crore	54.8	21.1
PAT margin	%	2.5	1.4
Adjusted debt/adjusted networth	Times	1.05	1.01
Interest coverage	Times	3.12	1.72

For 9 months ended December 31 2022 in FY23 revenue stood at Rs ~1849 crores and PAT of ~Rs 56 crores. Interest coverage stood at 4.32 times for the same period.

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Fund-Based Facilities	NA	NA	NA	147	NA	CRISIL A/Stable
NA	Non-Fund Based Limit	NA	NA	NA	502	NA	CRISIL A1

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	147.0	CRISIL A/Stable		--	05-04-22	CRISIL A-/Stable		--		--	--
Non-Fund Based Facilities	ST	502.0	CRISIL A1		--	05-04-22	CRISIL A2+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities	20	Axis Bank Limited	CRISIL A/Stable
Fund-Based Facilities	10	Bank of Baroda	CRISIL A/Stable
Fund-Based Facilities	20	Union Bank of India	CRISIL A/Stable
Fund-Based Facilities	15	The Federal Bank Limited	CRISIL A/Stable
Fund-Based Facilities	20	HDFC Bank Limited	CRISIL A/Stable
Fund-Based Facilities	2	RBL Bank Limited	CRISIL A/Stable
Fund-Based Facilities	60	State Bank of India	CRISIL A/Stable
Non-Fund Based Limit	62	Axis Bank Limited	CRISIL A1
Non-Fund Based Limit	51.5	Bank of Baroda	CRISIL A1
Non-Fund Based Limit	65	Union Bank of India	CRISIL A1
Non-Fund Based Limit	50	The Federal Bank Limited	CRISIL A1
Non-Fund Based Limit	100	HDFC Bank Limited	CRISIL A1
Non-Fund Based Limit	48	RBL Bank Limited	CRISIL A1
Non-Fund Based Limit	125.5	State Bank of India	CRISIL A1

This Annexure has been updated on 02-Mar-23 in line with the lender-wise facility details as on 04-Apr-22 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Bank Loan Ratings
The Rating Process
Rating Criteria for Chemical Industry
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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