

January 11, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Term Loan	3.71	SMERA BB/Stable (Assigned)
Letter of Guarantee	0.16	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.8.71 crore long term bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.0.16 crore short term bank facility of Dilip Textile Private Limited (DTPL). The outlook is '**Stable**'. The ratings are supported by the company's established operational track record, experienced management, comfortable coverage indicators and working capital cycle. However, the ratings are constrained by the modest scale of operations, high gearing and low net worth base. The ratings are also constrained by the fragmented and competitive textile industry.

Rating Sensitivity Factors

- Improvement in revenues while maintaining profitability
- Improvement in capital structure
- Deterioration in the working capital cycle

Outlook: Stable

SMERA believes that the outlook on DTPL's rated facilities will remain stable over the medium term on account of the company's experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves better than expected growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or deterioration of capital structure.

About the Company

The Hyderabad-based DTPL, incorporated as a private limited company in 1988, was promoted by Mr. Govardhan Das Agarwal and family. The company is engaged in the business of dyeing and printing of fabrics and has two manufacturing facilities in Andhra Pradesh.

For FY2014-15, DTPL reported profit after tax (PAT) of Rs.0.55 crore on operating income of Rs.56.39 crore as against PAT of Rs.0.55 crore on operating income of Rs.46.47 crore. For FY2014-15, the tangible net worth stood at Rs.6.87 crore as against Rs.4.17 crore in the previous year.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Dilip Textile Private Limited (DTPL)

Rating Rationale

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