

**January 11, 2016**

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

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.

## Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: <a href="mailto:pooja.ghosh@smera.in">pooja.ghosh@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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