

Press Release

Dilip Textile Private Limited

03 March, 2017

Rating Reaffirmed & Assigned

Total Bank Facilities Rated *	Rs 8.87 Crore
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.87 crore bank facilities of Dilip Textile Private Limited. The outlook is '**Stable**'.

Established in 1978 as a partnership concern, Dilip Textiles Private Limited (DTPL) was incorporated in 1988. The Hyderabad-based company promoted by Mr. Govardhan Das Agarwal and family is engaged in the dyeing and printing of fabrics. The manufacturing facilities are located at Mahabubnagar and Hyderabad. The production capacity stands at 2,200,000 meters/month with utilisation level of ~95 per cent.

Key Rating Drivers

Strengths

- **Moderately capital intensive operations**

DTPL's working capital operations are moderate with Gross Current Assets (GCAs) at 96 days on account of debtor levels of 75 days.

- **Experienced management:**

The company's promoters have over 30 years of experience in the textile industry. Thus, the company has been able to forge long lasting relationships with its customers.

- **Healthy operating income growth rate**

DTPL registered healthy revenue growth rate at a CAGR of 13.37 percent for the period FY2014-16 on account of increase in order book value. The operating income stood at Rs.59.72 cr in FY2016 as compared to Rs.56.39 cr in FY2015.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.7.49 cr as on 31 March 2016. The gearing stood at 1.48 times as on 31 March 2016 as compared to 1.68 times as on 31 March 2015. The ICR stood at 2.71 times in FY2016 as compared to 2.94 times in FY2015. The DSCR stood at 1.23 times in FY2016 as compared to 1.30 times in FY2015.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with Gross Current Assets (GCAs) of 205 days on account of high inventory and debtor levels of 139 and 67 days respectively.

• Declining operating margins

DTPL's operating margins have shown declining trend from FY2014-16 on account of increase in competition in the textile industry. The EBITDA margins stood at 4.81 percent in FY2016 as compared to 6.34 percent in FY2015. The PAT margins stood at 1.03 percent in FY2016 as compared to 0.98 percent in FY2015.

• Highly fragmented and competitive textile industry

DTPL operates in a highly fragmented and competitive textile industry with large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of DTPL will remain stable and the company will benefit over the medium term owing to its experienced management. The outlook may be revised to Positive in case the company has a steady and diversified revenue profile with stable operating margins and continues to maintain working capital cycle effectively. Conversely, the outlook may be revised to Negative in case the company faces stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.62 cr on operating income of Rs.59.72 cr as against net profit of Rs.0.55 cr on operating income of Rs.56.35 cr in the previous year. The net worth stood at Rs.7.49 cr as on 31 March 2016 as compared to Rs.6.87 cr as on 31 March 2015.

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

CRISIL Limited (CRISIL) has suspended its ratings on the bank facilities of Dilip Textiles Private limited due to lack of adequate information.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Jan-2016	Cash Credit	Long Term	INR 5 CR	SMERA BB / Stable
	Term Loan	Long Term	INR 3.71 CR	SMERA BB / Stable
	Letter of Guarantee	Short Term	INR 0.16 CR	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.58	SMERA BB / Stable
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.16	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.13	SMERA BB / Stable

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ABOUT SMERA

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