



SMERA RATINGS LIMITED

Dinesh Textile Mills (DTM)

Rating Rationale

March 16, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.41	SMERA BB-/Stable (Assigned)
PCFC	5.00	SMERA BB-/Stable (Assigned)
Post Shipment Credit	5.00	SMERA BB-/Stable (Assigned)
Term Loan (Proposed)	0.34	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.25	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Dinesh Textile Mills (DTM). The outlook is '**Stable**'. The ratings draw comfort from the experienced management, above average financial risk profile marked by moderate gearing and comfortable coverage indicators. However, the ratings are constrained by the limited track record of operations, relatively small scale of business and customer concentration risk.

Outlook: Stable

SMERA believes DTM will maintain a stable business risk profile in the medium term on account of its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or deterioration in its financial risk profile.

Rating Sensitivity Factors

- Sustainability of revenues and improvement in profit margins
- Improvement in the capital structure

About the Firm

DTM, established in 2012 is engaged in the manufacture of fabrics at Tirupur, Tamil Nadu. The firm reported profit after tax (PAT) of Rs.0.97 crore on operating income of Rs.30.83 crore for FY 2014–15, as compared with PAT of Rs.0.30 crore on operating income of Rs.10.83 crore in FY2013–14.

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