Press Release

Dinesh Textile Mills

July 06, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the 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 Rs. 12.00 crore bank facilities. SMERA has assigned long-term rating of '**SMERA BB-**' **(read as SMERA BB minus)** on the Rs. 6.00 crore bank facilities of Dinesh Textile Mills. The outlook is **'Stable'**.

Dinesh Textile Mills (DTM) was established in 2012 as a partnership firm by Mr. Dinesh and family. The firm manufactures readymade garments (T-shirts, nightwear and innerwear) and has installed capacity of 35 lakh pieces per annum. The manufacturing facility is located at Tirupur, Tamil Nadu.

Key Rating Drivers

Strengths

- **Experienced management**

  Mr. Dinesh, Partner, has experience of over a decade in the said line of business. Over the years, the management has been able to develop comfortable relations with suppliers and customers.

- **Comfortable financial risk profile**

  The comfortable financial risk profile is marked by moderate net worth of Rs.11.37 crore as on 31 March, 2017 (Provisional) with gearing of 1.25 times. The Interest coverage ratio is comfortable at 3.28 times and debt service coverage ratio of 3.28 times in FY2017 (Provisional). The net cash accruals against total debt stand moderate at 0.28 times in FY2017 (Provisional).

Weaknesses

- **Susceptibility to risks related to changes in government policies**

  Since the firm exports to Europe, changes in government policies or an economic crisis can have an impact on revenue generation. The company has not adopted any hedging policy and hence is exposed to foreign exchange fluctuation risk.

- **Working capital intensive operations**

  The operations are working capital intensive marked by high GCA days of 163 in FY2017 (Provisional), an increase from 106 days in FY2016. This is mainly on account of high inventory and debtor days of around 70 and 100 respectively in FY2017 (Provisional). This is mainly due to inherent cyclicality in the textile industry and late payment received from overseas customers.

- **Highly competitive industry**

  The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

Analytical Approach
SMERA has considered the standalone business and financial risk profiles of DTM to arrive at the rating.

Outlook: Stable
SMERA believes that DTM will maintain a stable outlook over the medium term owing to its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials
For FY2016-17 (Provisional), DTM reported profit after tax (PAT) of Rs 4.05 crore on total operating income of Rs.50.16 crore, as compared with PAT of Rs.2.04 crore on total operating income of Rs.37.63 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

• Default Recognition - https://www.smera.in/criteria-default.htm
• Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm
• Manufacturing Entities - https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
16-Mar-2016	Term Loan	Long Term	INR 1.41	SMERA BB- / Stable
	PCFC	Long Term	INR 5	SMERA BB- / Stable
	Post Shipment Credit	Long Term	INR 5	SMERA BB- / Stable
	Proposed Term loan	Long Term	INR 0.34	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 0.25	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not	Not	Not	1.41	SMERA BB- /

	Applicable	Applicable	Applicable		Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
FDBN/PSCFC (Proposed)	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+

Contacts

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ABOUT SMERA

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