

Dhivakar Spinning Mills Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.75	SMERA B+/Stable (Assigned)
Term Loan	0.13	SMERA B+/Stable (Assigned)
Working Capital Demand Loan (WCDL)	1.00	SMERA B+/Stable (Assigned)
Bank Guarantee	0.32	SMERA A4 (Assigned)
Proposed Fund Based Facilities	1.30	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.8.50 crore bank facilities of Dhivakar Spinning Mills Private Limited (DSMPL). The outlook is **'Stable'**.

The ratings are constrained by the small scale of operation, below average financial risk profile and working capital intensive business. The ratings also factor in the intense market competition. However, the aforementioned weaknesses are partially offset by the company's experienced management.

DSMPL's scale of operation remains small marked by operating income of Rs.25.60 crore in FY2014-15 and Rs.32.78 crore in FY2013-14. Further, as per provisional financials of FY2015-16, the company registered profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.28.16 crore. The below average financial risk profile is marked by gearing (Debt-to-equity ratio) of 2.35 times and interest coverage ratio (ICR) of 1.65 times in FY2014-15.

DSMPL's operations are highly working capital intensive on account of high inventory days of 100. The working capital cycle stood at 101 days in FY2014-15. The rating also factors in the intense market competition in the textile industry.

However, DSMPL was established in 1993 by K. Thangamani who possesses around 25 years of experience in the textile industry.

Rating Sensitivity Factors

- Increasing revenue while maintaining profitability
- Efficient working capital management
- Improvement in the capital structure

Outlook-Stable

SMERA believes that DSMPL will continue to maintain a stable outlook over the medium term on account of its established presence in the textile industry and experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

DSMPL was established in 1993 by K. Thangamani. The company is engaged in the manufacture of cotton blended yarn of count ranging from 30s to 40s at Coimbatore. The spinning mill has an installed capacity of 12192 spindles.

For FY2014-15 (refers to financial year, April 01 to March 31), the company registered loss of Rs.0.20 crore on operating income of Rs.25.60 crore as compared with profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.32.78 crore in FY2013-14.

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ABOUT SMERA

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