

Press Release

Danya Apparel (DA)

14 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.00 crore bank facilities of Danya Apparel (DA). The outlook is '**Stable**'.

Established in 1997, Danya Apparel is a Bangalore-based proprietorship concern established by Mr. S.M. Riyaz. The firm is engaged in the manufacturing of trousers, shirts, jeans and has installed capacity of 1,00,000 pieces per month.

Key Rating Drivers

Strengths

Experienced management

The proprietor, Mr S.M. Riyaz has more than a decade of experience in the garments industry.

Reputed client base

The firm has been carrying out job work for Living Jeans, John Players and Ostin. However, from 2016 the firm started its own production and caters to premium brands such as HRX, Moda Rapido and HERE N NOW.

Weaknesses

Modest scale of operations

The entity registered revenue of Rs.4.53 crore in FY2017 (Provisional) and Rs.3.68 crore in FY2016.

Below average financial risk profile

The financial risk profile has been below average marked by high gearing, low net worth base and moderate debt protection measures. The gearing stood high at 5.37 times as on 31 March, 2017 (Provisional) and 6.07 times in the previous year. The net worth stood low at Rs.0.49 crore and Rs.0.36 crore in FY2017 (Provisional) and FY2016 respectively. The interest coverage ratio and debt service coverage ratio stood at 1.52 times and 1.50 times in FY2017 (Provisional) and 1.55 times in FY2016 respectively. The NCA/TD stood at 0.07 times in FY2017 (Provisional).

Working capital intensive operations

The operations are working capital intensive as reflected in the gross current asset days (GCA) of 211 in FY2017 (Provisional) against 210 days in FY2016. On an average, the firm utilises ~ 95 per cent of its cash credit limit.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of DA.

Outlook: Stable

SMERA believes that DA will maintain a stable outlook over the medium term owing to its experienced management and reputed customer base. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while maintaining stability in profit margins and achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations and profitability, capital structure, or lengthening of the working capital cycle.

About the Rated Entity - Key Financials

For FY2016–17 (Provisional), the firm reported net profit of Rs 0.08 crore on operating income of Rs. 4.53 crore, compared with net profit of Rs 0.07 crore on operating income of Rs. 3.68 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>
- 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)

Not Applicable

*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	2.00	SMERA B/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B/ Stable

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