

## Press Release

### Dhansmruti Textiles Private Limited

23 March, 2018

#### Rating Assigned



|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 46.47 Cr               |
| <b>Long Term Rating</b>             | SMERA B+/Stable (Assigned) |
| <b>Short Term Rating</b>            | SMERA A4 (Assigned)        |

\*Refer Annexure for details

### Rating Rationale

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. 46.47 crore bank facility of 'DHANSMRUTI TEXTILES PRIVATE LIMITED' (DTPL). The outlook is **'Stable'**.

DTPL, a Pune based company was incorporated in 2010 and started commercial operations from September 2017. It is engaged in manufacturing of cotton yarn. DTPL is promoted by directors namely Mr. Vishal Magar, Mr. Sanjay Narayan and Mr. Narayan Tate Deshmukh. The manufacturing facility is located at Solapur district with 20,000 spindles count ranging from 30s to 45s. DTPL procures raw material from its group entity Dhansmruti Ginning and Allied Industries Private Limited (DGA IPL).

#### key rating drivers

##### Strengths:

##### Experienced management

The director of the company Mr. Narayan Tate Deshmukh possess more than two decades of experience in the agriculture sector. He worked as a Director and Vice Chairman for Shankarrao Mohite Sahakari Soot Girni Ltd which is engaged in yarn manufacturing. SMERA believes that the company will benefit from its experienced management.

##### Weaknesses

##### Nascent stage of operations

DTPL was incorporated in 2010 and started commercial operations in September 2017. The company registered revenue of Rs. 30 crore till February 2018. SMERA believes that ability of the company to scale up operations coupled with adequate net cash accruals will remain crucial to maintain a stable credit risk profile.

##### Presence in a highly competitive industry

The company is exposed to intense competition in the fragmented textile industry with a large number of organised and unorganised players affecting the margins.

##### Volatility in raw material prices and unfavorable regulations

Prices of raw cotton are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which further restricts the company's bargaining power with suppliers. Adverse movements in cotton prices can impact profitability. The company is also exposed to unfavourable changes in regulations.

##### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Dhansmruti Textiles Private Limited to arrive the rating.

### Outlook – Stable

SMERA believes that DTPL will maintain a 'Stable' outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in scale of operations while achieving sustained improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve expected revenues over the medium term.

### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 0.19          | 0.00          | 0.00          |
| EBITDA                        | Rs. Cr. | 0.02          | 0.00          | 0.00          |
| PAT                           | Rs. Cr. | 0.02          | 0.00          | 0.00          |
| EBITDA Margin                 | (%)     | 8.66          | 0.00          | 0.00          |
| PAT Margin                    | (%)     | 8.66          | 0.00          | 0.00          |
| ROCE                          | (%)     | 0.04          | 0.00          | 0.00          |
| Total Debt/Tangible Net Worth | Times   | 8.32          | 0.84          | 382.49        |
| PBDIT/Interest                | Times   | 0.00          | 0.00          | 0.00          |
| Total Debt/PBDIT              | Times   | 3689.18       | 0.00          | 0.00          |
| Gross Current Assets (Days)   | Days    | 16518         | 0             | 0             |

### Applicable Criteria

- Manufacturing Entities – <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of 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>

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

Not Applicable

### Any other information:

Not Applicable

### Rating History for the 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    |
|------------------------|------------------|----------------|----------------|-------------------------------|---------------------|
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 38.97                         | SMERA B+/<br>Stable |
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 6.25                          | SMERA B+/<br>Stable |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 1.25                          | SMERA A4            |

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