



Press Release
DEVIKA FIBRES PRIVATE LIMITED
January 17, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	86.69	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	88.69	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at '**ACUITE BB+**' (read as **ACUITE double B Plus**) and short-term rating at '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 88.69 Cr. bank facilities of Devika Fibres Private Limited (DFPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation factors in the company's stable operating performance. The rating also considers the DFPL's moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. Further, the rating continues to derive comfort from the DFPL's long track record of operations of over two decades in the polyester yarn industry and extensive experience of its management. However, the rating is constrained by the working capital-intensive nature of operations, with high reliance on fund-based limits, stretched liquidity position and susceptibility of profitability to volatility in raw material prices. Going forward, the company's ability to improve its liquidity position and profitability margins while maintaining its capital structure will remain a key rating monitorable.

About the Company

Devika Fibres Private Limited (DFPL), established in 1993, specializes in the manufacturing of textured yarn. The company primarily serves local weaving units in the domestic market while also having a presence in the export market. Its manufacturing facility is located in Kudsad village, Gujarat, with marketing operations based in Surat. DFPL is promoted and managed by Mr. Ashok Sultania, Mrs. Rashmi Sultania, and Mr. Jayesh Bhagwakar.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone approach of Devika Fibres Private Limited (DFPL) for arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The company has established presence of more than two decades in Polyester Yarn Industry in India and has established market for their products. DFPL is promoted and managed by Mr. Ashok Sultania, Mrs. Rashmi

Sultania and Mr. Jayesh Bhagwakar. The promoters possess more than two decades of experience in the said line of business. The experience of promoters is reflected through stable scale of operations over three years, with revenue of Rs. 304.13 Cr. in FY2024 as against Rs. 298.98 Cr. in FY2023 and Rs. 287.07 Cr. in FY2022. Further, the company has achieved revenue of Rs.189.34 Cr. in 9MFY2025. Furthermore, the exports constitutes of

~27.77% of revenue earned in FY2024 with majorly being in the key markets of South Korea, Spain, Bangladesh, Morocco, Nepal and among others.

Acuité believes that the company will continue to benefit from its established presence in the industry over the medium term.

Moderate Financial risk profile

The company's financial risk profile continues to remain moderate marked by its moderate net worth, gearing and debt protection metrics. The tangible net worth of the company stood at Rs. 62.63 Cr. as on March 31, 2024, from Rs. 62.45 Cr. as on March 31, 2023. The total debt of the company stood at Rs. 84.12 Cr. as on March 31, 2024, as against Rs. 90.77 Cr. as on March 31, 2023. The gearing of the company stood at 1.34 times as on March 31, 2024, as compared to 1.45 times as on March 31, 2023. Further, the debt protection metrics of the company stood moderate, reflected by debt service coverage ratio of 1.19 times for FY24 as against 0.97 times for FY23. The interest coverage ratio stood at 1.88 times for FY24 as against 1.41 times for FY23. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on March 31, 2024 as compared to 0.03 times in the previous year. The debt to EBITDA ratio improved and stood at 5.54 times as on March 31, 2024, as against 8.20 times as on March 31, 2023.

Acuité believes that, going forward, the financial risk profile of the company will improve and remain moderate over the medium term in the absence of major debt funded capex plan.

Weaknesses

Working capital intensive nature of operations

The working capital management of the company is intensive in nature, marked by improved yet high Gross Current Assets (GCA) of 113 days in FY2024 as compared to 131 days in FY2023. The GCA days are primarily on account of high other current assets, mainly comprising of other receivables and recoveries and advances to supplier. The inventory holding period improved and stood at 44 days in FY2024 as compared to 64 days in FY2023. The company generally follows an inventory holding period of 60-90 days. The debtor days stood at 46 days in FY2024 as against 48 days in FY2023. Further, the creditor days stood at 13 days in FY2024 as compared to 19 days in FY2023. The fund-based limit utilisation remained high at ~95.71 per cent for the last six months ending December 2024.

Acuité believes that the ability of the company to improve its scale of operations without any significant elongations in the working capital cycle will be a key monitorable.

Intense competition and Challenging business environment

DFPL operates in textile industry which is marked by presence of large number of players which limits bargaining power with customers. The sector has limited entry barriers. The prices of polyester yarn are highly volatile in nature and dependent on crude oil prices. Any adverse change in prices will have direct impact on the margins of the company. However, the volatility risk is mitigated to a certain extent as the company is able to pass on the price impact on its customers.

Rating Sensitivities

- Significant decline in margins resulting in lower than expected net cash accruals.
- Significant debt funded capex beyond expected level leading to deterioration in capital structure.
- Further stretch in the working capital cycle leading to stretched liquidity position.

Liquidity Position

Stretched

The company has a stretched liquidity profile marked by a limited cushion in net cash accruals to its maturing debt obligations and high reliance on working capital limits. The company generated cash accruals of Rs. 6.55 Cr. for FY2024 as against maturing debt obligations of around Rs. 4.20 Cr. in the same tenure. However, it is expected to generate sufficient cash accrual against its maturing repayment obligations in the near term. Further, the working capital management of the company remained intensive marked by GCA days of 113 days as on 31st March 2024 along with high reliance on working capital limits with average utilisation of fund-based limits at ~95.71% over the past six months ending December 2024. The current ratio stood at 2.16 times as on March 31, 2024, as compared to 2.31 times as on March 31, 2023. The cash and bank balances of the company stood at Rs. 1.18 Cr. as on March 31, 2024.

Acuite believes that going forward, liquidity position of the company is expected to improve in the near term primarily on account of proceeds from sale of Investments.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	304.13	298.98
PAT	Rs. Cr.	0.18	(3.59)
PAT Margin	(%)	0.06	(1.20)
Total Debt/Tangible Net Worth	Times	1.34	1.45
PBDIT/Interest	Times	1.88	1.41

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2023	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	11.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	25.81	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	PC/PCFC	Long Term	8.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	16.73	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	0.15	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	10.60	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.40	ACUITE BB+ Stable (Assigned)
27 Jul 2022	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	17.73	ACUITE BBB- Stable (Reaffirmed)
	PC/PCFC	Long Term	2.20	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	16.74	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.15	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.07	ACUITE BBB- Stable (Reaffirmed)
	PC/PCFC	Long Term	5.80	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A4+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.47	Simple	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	02 Mar 2024	Not avl. / Not appl.	01 Mar 2025	13.90	Simple	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	02 Mar 2024	Not avl. / Not appl.	01 Mar 2025	0.15	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	20 Dec 2023	Not avl. / Not appl.	31 Jan 2025	28.17	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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