Press Release

Durga Processors Private Limited

September 05, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.92.00 Cr. (Enhanced from Rs.35.00 crore)
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.92.00 crore bank facilities of Durga Processors Private Limited (DPPL). The outlook is 'Stable'.

Durga Processors Private Limited (DPPL) is a Surat-based company incorporated in 1998 by Mr. Kunj Bihari Sultania. The company is engaged in the business of dyeing and printing of fabrics on job work basis.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of DPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

DPPL was incorporated in 1998 by Mr. Kunj Bihari Sultania, who possesses an experience of over two decades in the dyeing and printing industry. The extensive experience of promoter has enabled the company to forge healthy relationships with customers. DPPL has wide customer base with top ten customers accounting for ~17 per cent of sales.

DPPL reported significant revenue growth with operating income of Rs.177.23 crore in FY2019 as against operating income of Rs.109.33 crore in FY2018. The increase in the revenues was mainly on account of increase in production capacity and trading business with government agencies.

Acuité believes that DPPL will continue to benefit from its experienced management and established relationships with customers.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by moderate net worth and comfortable debt protection measures and moderate gearing. The net worth is high at Rs.55.72 crore as on 31 March, 2019 as against Rs.50.47 crore as on 31 March, 2018. The gearing of the company has stood at 1.61 times as on 31 March, 2019 as against 1.83 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.01 times as on 31 March, 2019 as against 2.22 times as on 31 March, 2018. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. The Interest Coverage Ratio (ICR) stood at 3.89 times as on 31 March, 2019 as against 4.44 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.09 times in FY2019 as against 1.96 times in FY2018. The company have healthy margins marked by the operating margin stood at 14.89 per cent as on 31 March, 2019 as against 12.08 per cent as on 31 March, 2018. The increase in Profit margin from 2.67 per cent in FY2018 to 2.97 per cent in FY2019 is mainly due to increase in rise in operating income during the year.

Acuité believes that the financial risk profile of DPPL will continue to remain comfortable over the medium term on account of its improving scale of operations in absence of major debt funded capex plan over medium term.

- **Efficient working capital management**

The working capital management of DPPL has improved in FY2019 marked by moderate Gross Current Assets (GCA) of 143 days in FY2019 as against 181 days in FY2018. The inventory and debtor levels stood at 26 days and 88 days in FY2019 as against 38 and 103 days in FY2018, respectively. As a result, the average utilization of bank limits stood at ~72 per cent in the last six months ending May 2019.

Acuité believes that the working capital requirements will continue to remain comfortable over the medium term on account of timely payment from the customers and to the suppliers.

Weaknesses

- **Highly competitive and fragmented industry**

The textile industry is highly fragmented and dominated by a large number of organized and unorganized players leading to intense market competition.

Liquidity position

The company has strong liquidity marked by high net cash accruals to its debt maturity obligations. DPPL generated cash accruals of Rs.19.35 crore during FY2019 against the debt maturity obligation of Rs.6.80 crore for the same period. The cash accruals of the company are estimated to be in the range of Rs.22.39 crore to Rs.34.63 crore for FY2020-FY2022, while the debt maturity obligation for the same period would be in the range of Rs.7.10 crore – Rs. 8.00 crore each year. The company maintains cash and bank balances of Rs.0.10 crore as on 31 March, 2019. The current ratio of the company stood at 1.85 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of high net cash accrual to its maturing debt obligation.

Outlook: Stable

Acuité believes that DPPL will maintain a 'Stable' outlook owing to the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile, owing to higher-than-expected debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	177.23	109.33	95.69
EBITDA	Rs. Cr.	26.39	13.21	11.03
PAT	Rs. Cr.	5.26	2.92	3.23
EBITDA Margin	(%)	14.89	12.08	11.53
PAT Margin	(%)	2.97	2.67	3.37
ROCE	(%)	9.36	6.86	10.36
Total Debt/Tangible Net Worth	Times	1.61	1.83	1.09
PBDIT/Interest	Times	3.89	4.44	7.20
Total Debt/PBDIT	Times	3.24	6.78	3.17
Gross Current Assets (Days)	Days	143	181	135

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

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Trading entities- https://www.acuite.in/view-rating-criteria-6.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
22-August-2019	Cash credit	Long term	6.60	ACUITE BBB+/ Stable (Assigned)
	Term loan	Long term	27.40	ACUITE BBB+/ Stable (Assigned)
	Bank guarantee	Short term	1.00	ACUITE A2 (Assigned)

*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	6.60	ACUITE BBB+/ Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/ Stable (Assigned)
Cash credit	Not Applicable	Not Applicable	Not Applicable	6.40	ACUITE BBB+/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	27.40	ACUITE BBB+/ Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	16.85	ACUITE BBB+/ Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	15.74	ACUITE BBB+/ Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A2 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.51	ACUITE BBB+/Stable (Assigned)

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