



Press Release
Durga Processors Private Limited
November 07, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	89.17	ACUITE A- Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	24.83	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	114.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and its short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.114.00 Cr. bank facilities of Durga Processors Private Limited (DPRPL). The outlook is revised from '**Stable**' to '**Positive**'.

Rationale for reaffirmation

The rating reaffirmation continues to derive comfort from long track record of operations of Durga group along with its experienced management. Further, the rating factors the augmentation in the earnings profile of the group as a result of better utilisation of capacities marked by diversification in product range. The revenues stood increased at ~Rs. 540 Cr. in FY2023 against ~Rs. 369 Cr. in FY2022. The rating also derives comfort from healthy financial risk profile and strong liquidity of the group marked by gearing of 0.66 times along with healthy coverage indicators with ICR at 6.97 times and DSCR at 2.27 times in FY2023. Further the group's strong liquidity is reflected in healthy cushion between net cash accruals which stood at ~Rs. 57 Cr and debt obligations of ~Rs. 19 Cr. However, the rating is constrained by susceptibility of profits towards volatility in raw material prices as evident in marginal reduction in the EBITDA margins during FY2023 and intense competition in textile industry.

Further, Acuité has revised DG's outlook from 'Stable' to 'Positive' on the back of expected increase in its profitability driven by the group's planned debt funded capex of setting up Windmill & Solar plant for captive consumption. Group is expected to avail a loan close to Rs. ~40 Cr. towards the same and through this capex it anticipates to cover around 90% of its power requirements in the coming years which will help company generate more profits. Acuité believes the cost that will be saved on the Power consumption will help DG to maintain healthy profitability margins going forward in the range of 15-16% on EBITDA levels. Further, the Interest subvention scheme under the Atmanirbhar Gujarat Scheme 2022 allowing subvention of upto 7% is expected to further improve the PAT margins. However, timely completion of the debt funded capex plans without cost over runs will remain critical to the rating.

About Company

Durga Processors Private Limited (DPRPL) was incorporated in 1998 by Mr. Kunj Bihari Sultania and Mr. Vipul Desai. It was dormant till the present management acquired it and subsequently set up a dye processing unit at Surat, Gujarat. The company is engaged in dyeing and printing of various textile products on job work basis. The unit started commercial production from February 2010. Earlier the company was being managed by Desai family. The

promoters of Durga Processors Private Limited took over Durga Polysters Private Limited in 2020.

About the Group

Gujarat based, Durga Processors Private Limited was incorporated in 1998 and is promoted by Mr. Kunj Bihari Sultania. The company is engaged in dyeing and printing of various textile products on a job work basis. Durga Group is a Surat based group promoted by Mr. Kunj Bihari Sultania in 1997. The group comprises of three companies, Durga Processors Private Limited, Durga Polysters Private Limited and Durga Agro Park Private Limited. Durga Processors Private Limited and Durga Polysters Private Limited is engaged into dyeing and printing of various textile products on a job work basis. Durga Agro Park Private Limited was incorporated in 2012 by Mr. Kunj Bihari Sultania and Mr. Ashok Sultania. The company is engaged in agriculture and allied activities business.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Durga Polysters Private Limited and Durga Processors Private Limited together known as Durga Group, to arrive at this rating. The consolidation is on account of common management, a similar line of business, and financial linkages.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

Durga group was incorporated in 1997 by Mr. Kunj Bihari Sultania having an operational track record of more than two decades in the textile industry. Group's primary line of business is dyeing and printing of various textile products. Due to the long track record of operations, the group is considered as one of the top players in the aforementioned industry. Mr. Kunj Bihari Sultania possesses an experience of around three decades in the dyeing and printing industry. The extensive experience of the promoter has enabled the company to forge healthy relationships with customers. The group reported significant revenue growth with operating income of Rs. 539.54 Cr. in FY2023 as against operating income of Rs.368.38 Cr. in FY2022. The increase in the revenues is mainly on account of better utilisation of capacities along with increase in demand. Acuité believes that the group will continue to benefit from its experienced management and long track record of operation in dyeing and printing industry.

Healthy financial risk profile.

DG's financial risk profile is healthy marked by low gearing and healthy debt coverage indicators. The gearing during FY2023 has improved and stood at 0.88 times against 1.37 times in FY2022. The improvement in gearing is driven by better accretions of profits that have increased the Net worth to Rs. 147.24 Cr. as on March 31, 2023 against Rs. 105.84 Cr. on March 31, 2022. The debt profile of the group comprises of long term loans to the tune of Rs. 48.19 Cr., USL infused by promoters & corporate entities of around Rs. 48.79 Cr. and short term debt in the form of CC of Rs. 32.41 Cr. Further, during H1FY2024 the group has prepaid certain loans to the tune of ~Rs. 60 Cr. However, going forward DG is in plans to avail additional ~Rs.40 Cr. debt towards its windmill & solar projects. Under the '**Aatmanirbhar Gujarat Schemes 2022**' group is expected to get a subvention of around 7% on the interest rate for these loans which is expected to garner benefits to the group on PAT level. Further, despite additional debt the gearing for FY2024 is expected to remain below unity at around 0.66 times. Further, the debt coverage indicators have remained remarkably sufficient marked by ICR & DSCR of 6.97 times and 2.27 times in FY2023 against 4.22 times and 1.70 times in FY2022. Going ahead,

assuming margins at similar levels group is expected to maintain the similar level of coverage indicators.

Weaknesses

Cyclical nature of industry & susceptibility to fluctuation in prices of raw materials.

The group's revenues and profitability remain susceptible to the cost of raw materials. Major raw materials required by the group consist of color concentrates, dye chemicals etc. and the group's profitability is exposed to adverse fluctuations in prices of these raw materials as evident in the marginally lower EBITDA margins in FY2023. During FY2023, group's EBITDA margins on a consolidated level stood marginally low at around 14.62% over the previous year at 15.03%. The overall raw material cost stood at ~42% of the total revenues during FY2023 against ~37% in FY2022. However, given the group's established market position, it has been able to transfer the prices to the customers to some extent marked by its stable operating margins. Further, the end user industry being textile, home decor etc. any significant slowdown in these industries will impact the revenues of the fabric dyers & printers.

Highly competitive and fragmented nature of industry

The group is operating in highly competitive and fragmented textile industry. It is exposed to intense competition from several organized and unorganized players operating in the industry. Group's income is derived from job work which is vulnerable to the intense competitive pressures and the cyclicity inherent in the domestic textile industry. Further, limited valueadded nature of job work operations might lead to a moderate level of margins and low return indicators.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any debt funded capex plan impacting the financial risk profile.
- Timely completion of the capex without cost overruns.
- Elongation in working capital management.

All Covenants

Not Available.

Liquidity Position

Strong

The Group's operational performance ensures its Net Cash Accruals are sufficient to service its mandated cash obligations of debt. The same is reflected in the adequate cushion between the two. The NCA during FY2023 stood at Rs. 56.97 Cr. while the repayment obligations during the same period were ~ Rs. 19 Cr. The Cash Credit availed by the Group is utilized at an average of about 80%. Further, the group has cash balances of around Rs. 6.86 Cr. as on March 31, 2023. The current ratio has stood healthy at 2.36 times as on March 31 2023.

Outlook: Positive

Acuité expects DG to maintain a 'Positive' outlook on the back of expected increase in its profitability driven by DG's planned capex of setting up Windmill & Solar plant for captive consumption. Through this capex the group anticipates covering around 90% of its power requirements in the coming years which will help company generate more profits. The rating may be upgraded if the company is able to successfully complete the ongoing debt-funded expansion projects without significant time and cost overruns leading to further improvement in operating performance. Conversely, the outlook may be revised to 'Stable' in case the group registers lower-than- expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile and liquidity.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	539.54	368.38
PAT	Rs. Cr.	41.41	20.97
PAT Margin	(%)	7.68	5.69
Total Debt/Tangible Net Worth	Times	0.88	1.37
PBDIT/Interest	Times	6.97	4.22

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

Not Applicable.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <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. Acuite' 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
09 Aug 2022	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	0.67	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	5.29	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	9.33	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	12.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	12.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	16.90	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	1.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	8.50	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	10.33	ACUITE A2+ (Assigned)
	Term Loan	Long Term	1.55	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	13.55	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	2.58	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
09 Sep 2021	Proposed Bank Facility	Long Term	2.69	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.14	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	5.07	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.40	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.91	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	19.57	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.42	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
		Long		

	Term Loan	Term	4.31	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	14.47	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.02	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
07 Sep 2020	Bank Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2.18	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.60	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.96	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	6.40	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	7.70	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.36	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.73	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	24.17	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	16.40	ACUITE BBB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A2+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A- Positive Reaffirmed Stable to Positive
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	30 Apr 2024	Simple	6.00	ACUITE A- Positive Reaffirmed Stable to Positive
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A- Positive Reaffirmed Stable to Positive
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.33	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	22.54	ACUITE A- Positive Reaffirmed Stable to Positive
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.63	ACUITE A- Positive Reaffirmed Stable to Positive
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.00	ACUITE A- Positive Reaffirmed Stable to Positive

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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