

Press Release

Durga Polysters Private Limited

August 09, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	12.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	2.00	-	ACUITE A2+ Upgraded
Bank Loan Ratings	45.00	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of '**ACUITE A-**' (read as ACUITE A minus) from 'ACUITE BBB+' (read as ACUITE triple B plus) and its short term rating of 'ACUITE A2+' (read as ACUITE A two plus) from 'ACUITE A2' (read as ACUITE A two) on the Rs.47.00 Crore bank facilities of Durga Polysters Private Limited. The outlook is '**Stable**'.

Also, Acuite has assigned 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.13.00 Crore bank facilities of Durga Polysters Private Limited. The outlook is 'Stable'.

Rationale for Upgrade

The rating upgrade continue to derive comfort from long track record of operations along with experienced management. Further, the rating takes into consideration augmentation in business risk profile as a result of diversification in product range and introduction of additional capacity. The group has recorded a robust growth in revenue of Rs 65.57 Cr in Q1FY2023 as against RS 29.14 Cr in Q1FY2022. However, the rating is constrained by working capital intensive nature of operations and intense competition in textile industry.

About Company

Durga Polysters Private Limited (DPPL) was incorporated in 1997 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.

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. 370.24 crore in FY2022 (Provisional) as against operating income of Rs.283.69 crore in FY2021, Rs.322.40 crore in FY2020. The increase in the revenues is mainly on account of 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. Acuité believes that the group will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

Comfortable financial risk profile

The financial risk profile of group is marked by healthy net worth, moderate gearing and strong coverage indicators. The tangible net worth of the group stood at Rs.106.31 crore as on 31 March, 2022 (prov.). Acuité has included unsecured loans of Rs.43.25 crore as part of networth since the amount is subordinated to bank debt. The gearing and TOL/TNW stood at 1.37 times and 1.61 times as on 31 March, 2022 (prov.), against 1.93 times and 2.33 times as on March 31, 2021. Total debt of Rs.145.82 crore as on March 31, 2022 (prov.) consist of term loans of Rs.74.87 crores (including CPLTD), unsecured loans of Rs.43.25 crore, short term debt of Rs.27.70 crore, and CPLTD of Rs.18.61 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) comfortable at 5.03 times and 0.24 times, respectively, for FY2022 (prov.) as against 3.20 times and 0.13 times, respectively, in FY2020. The financial risk profile of the group is likely to remain at similar levels over the medium term.

Weaknesses

Working capital intensive operations

The group has working capital intensive operations marked by Gross Current Assets (GCA) of 101 days for FY2022 (prov.) as against 156 days for FY2021. This is mainly on account of decrease in debtor days to 82 days for FY2022 (prov.) from 92 days for FY2021. The inventory

days stood low at 18 days for FY2022 (prov.). Acuité believes that the group's working capital will remain moderate over the medium term.

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 value-added nature of job work operations might lead to a moderate level of margins and low return indicators. Acuité believes the adverse impact of COVID-19 on the industry can lead to longer in the revival of demand than expected and will have a significant impact on operations over the current financial year.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any debt funded capex plan impacting the financial risk profile.
- Elongation in working capital management

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The net cash accruals are expected to remain in range of Rs. 30.00 – Rs. 40.00 crores through FY23 - FY24, against its maturing debt obligations of Rs.18.61 - 17.65 crore over the same period. The group maintains an unencumbered cash and bank balances of Rs. 1.85 crore as on March 31, 2022 (prov.). The current ratio of the group stood at 1.52 times as on March 31, 2022 (prov.). The average bank limit utilization for group stood high at around 60 percent for the last 6 months ended June 2022. The group had availed COVID loans which have been repaid. ACUTE believes, liquidity position of the group to remain adequate over the medium term.

Outlook: Stable

Acuité believes that Durga Group will continue to benefit over the medium term from the promoter's experience and established track record in the aforementioned industry. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve the expected revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	370.24	283.69
PAT	Rs. Cr.	21.43	5.72
PAT Margin	(%)	5.79	2.02
Total Debt/Tangible Net Worth	Times	1.37	1.93
PBDIT/Interest	Times	5.03	3.20

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->

- 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>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Sep 2021	Term Loan	Long Term	2.42	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.15	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.02	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.03	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.60	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.80	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	0.26	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.52	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.78	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.70	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.65	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	0.90	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	2.54	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	1.69	ACUITE BBB+ Stable (Assigned)

08 Sep 2020	Term Loan	Long Term	4.12	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	2.02	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	6.58	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.53	ACUITE BBB+ Stable (Assigned)
		Long		ACUITE BBB+ Stable (Assigned)
	Term Loan	Term	5.76	(Assigned)
	Term Loan	Long Term	2.99	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	0.44	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Guarantee	Short Term	0.50	ACUITE A2 (Assigned)
	Term Loan	Long Term	0.60	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	1.33	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2+ Upgraded (from ACUITE A2)
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	7.63	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not Applicable	Term Loan	Not available	8.65	31-03-2024	2.49	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not Applicable	Term Loan	Not available	8.65	31-03-2024	1.26	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not Applicable	Term Loan	Not available	8.65	31-03-2024	2.57	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of	Not		Not	Not			ACUITE A- Stable Upgraded (

Baroda	Applicable	Term Loan	available	available	30-04-2021	3.01	from ACUITE BBB+)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	30-04-2024	1.56	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	30-04-2024	1.60	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	30-04-2024	1.83	ACUITE A- Stable Upgraded (from ACUITE BBB+)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	30-04-2024	0.47	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not Applicable	Term Loan	Not available	11.75	31-03-2029	10.50	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	1.50	ACUITE A- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vinit Vikamsey Analyst-Rating Operations Tel: 022-49294065 vinit.vikamsey@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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