



Press Release
DOLLAR APPARELS
September 13, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

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Acuite has assigned its long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and its short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.25.00 Cr bank facilities of Dollar Apparels. The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned takes into account long and established record of operations for more than three decades in the textile industry. The managing partners of the firm also have an experience of more than two decades in the same industry. The rating also factors in the improvement in profitability to 5.00 per cent in FY2023(Provisional) from 1.69 per cent in on account of reduction in raw material prices owing to clearing of old inventory. However, the revenues from operations of the firm stood at Rs.42.57 Cr in FY2023(Provisional) as compared to Rs.44.61 Cr. in FY2022 on account of weak demand from the textile industry.

Furthermore, the financial risk profile of the firm remains below average with characterized by a moderate net worth base and high gearing levels and modest debt protection metrics. The rating is also constrained by intensive working capital management reflected by high Gross Current Asset (GCA) days on account of high inventory build-up and inherent cyclicality within the textile industry.

About the Company

Established as a partnership in 1997, Dollar Apparel specializes in garment manufacturing with over 25 years of accumulated experience. The company distributes its products through both local markets and exports. Overseeing the company are Mr. P. Ramamoorthy, Mrs. R. Vasuki, and Mrs. R. Madhumitha. The firm is situated in Kumarananthapuram, Tirupur.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Dollar Apparels while arriving at the rating.

Key Rating Drivers

Strengths

Long and established record of operations with experienced management

Established back in 1989, the firm had developed into a renowned manufacturer and exporter of knitted and woven men's wear in Tiruppur, a hosiery town in South India. The firm is

involved in garment manufacturing and boasts over 25 years of experience in this field. Its products are distributed both locally and internationally. The firm's day-to-day operations are

overseen by its partners, who possess extensive expertise in this industry. With a workforce of over 1500 employees, the firm is under the leadership of a team of technical specialists responsible for the production process. The firm employs a diverse range of sophisticated machinery, including both domestically sourced and imported equipment, to stay aligned with global trends. The daily production capacity, with the assistance of their sister concern, reaches around 25000 pieces. Presently, the firm is under the management of Mr. P. Ramamoorthy, a managing partner with over 25 years of experience in this sector, handling the company's daily affairs. Mrs. R. Vasuki, with over 22 years of experience, along with Mrs. R. Madhumitha, oversees day-to-day production activities as the production in-charge, bringing more than 5 years of experience to the role. The firm is responsible for catering to the Point Zero brand, which supplies major brands and prominent stores including JCP Macy's, Dillard's, Target, Sears, and Walmart.

Dollar apparels achieved revenues of Rs.42.57 Cr in FY2023(Provisional) as compared to Rs.44.61 CR in FY2022 and Rs.29.50 Cr in FY2021. The decline in the revenue is primarily on account of decreased in order due to downfall of textile industry owing to delayed winters in major part of the country over the same period. The operating margin of the firm however improved to 5.00 per cent in FY2023(Provisional) from 1.69 per cent in FY2022. The PAT margin also increased to 1.25 per cent in FY2023(Provisional) from 1.05 per cent in FY2022. The increase in the margins was majorly on account of decline in raw material prices during the year due to clearing of old inventory. However, the margins remained susceptible towards volatility in raw material prices.

Acuité believes that the firm's distribution network along with reputed brand will support the scale of operations going forward.

Weaknesses

Below average financial risk profile

The financial risk profile of the firm is below average marked by moderate networth base, high gearing and modest debt protection metrics. The tangible net worth of the firm stood at Rs.31.94 Cr as on 31st March, 2023(Provisional) from Rs.31.20 Cr as on 31st March, 2022 due to accretion to reserves. The gearing of the firm stood high at 1.94 times as on March 31, 2023(Provisional) as against 1.77 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.19 times as on March 31, 2023(Provisional) as against 2.22 times as on March 31, 2022. The moderate debt protection metrics of the firm is marked by Interest Coverage Ratio which reduced to 1.28 times as on March 31, 2023(Provisional) as compared to 1.41 times as on March 31, 2022. Further, the Debt Service Coverage Ratio (DSCR) also dipped to 1.13 times as on March 31, 2023(Provisional) as against 1.27 times in March 31, 2022. The decline in the debt coverage indicators are on account of dip in the net operating income. NCA/TD stood low at 0.02 times in FY2023(Provisional). Going forward, Acuité believes the financial risk profile of the firm will remain average on account of steady accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

Working capital intensive nature of operation

The working capital intensive nature of operations marked by high Gross Current Asset (GCA) of 336 days in FY2023(Provisional) as compared to 326 days in FY2022 due to high inventory build-up. The inventory period stood high at 223 days in FY2023(Provisional) against 138 days in FY2022. The elevated inventory level is owing to stocking of raw material, and semi-finished inventory over the same period. Further, high inventory level is required to be maintained due to the nature of the business. The firm markets a wide range of products and accordingly has to maintain large quantity of inventory of each of its product type apart from the inventory of raw material. However, the debtor days stood to 33 days FY2023(Provisional) as compared to 64 days in FY2022. Acuité believes the working capital cycle will remain intensive over the medium term as evident from the high inventory holding period in highly competitive and working capital intensive textile and apparels business.

Rating Sensitivities

- Sustenance of the scale of operations

- Any further deterioration in profitability margins
- Elongation in working capital cycle

All Covenants

None

Liquidity Position

Stretched

The firm has stretched liquidity marked by high working capital bank limit utilisation of the firm has been ~92.10 percent during the last six months ended in March 2023. The high utilisation is majorly on account of working capital intensive nature of operations marked by high Gross Current Asset (GCA) of 336 days in FY2023(Provisional) as compared to 326 days in FY2022. However, the adequate net cash accruals of Rs.1.06 Cr. as on March 31, 2023(Provisional) as against Rs.0.50 Cr long term debt obligations over the same period. The current ratio of the firm stood comfortable at 1.35 times in FY2023(Provisional). The cash and bank balance stood at Rs. 0.90 Cr for FY 2023(Provisional). Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of high utilisation of working capital limits majorly on account of working capital intensive nature of operations.

Outlook: Stable

Acuité believes that the outlook of the firm will remain 'stable' over the medium term backed by its established market position and diversification in its product mix. The outlook may be revised to 'Positive' if the firm registers an unanticipated growth in revenues while maintaining its operating profitability and a strong financial risk profile over the medium term. Conversely, the outlook may be revised to 'Negative' in case of lower than anticipated revenues and profitability, further elongation in its working capital cycle or if the financial risk profile deteriorates owing to any large and unexpected debt funded capital expenditure programme.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	42.57	44.61
PAT	Rs. Cr.	0.53	0.47
PAT Margin	(%)	1.25	1.05
Total Debt/Tangible Net Worth	Times	1.94	1.77
PBDIT/Interest	Times	1.28	1.41

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BB- Stable Assigned
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4 Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB- Stable Assigned

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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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