

Dignity Innovations

September 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	7.00	CARE B; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE B-; Stable and ST rating reaffirmed
Short Term Bank Facilities	18.00	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Dignity Innovations as 'ISSUER NOT COOPERATING'. The firm has now cooperated by providing the necessary information for undertaking the review.

The ratings assigned to the bank facilities of Dignity Innovations (DI) are constrained by relatively moderate scale of operations, moderate capital structure, weak debt protection metrics, highly competitive industry, and proprietorship constitution of the entity with inherent risk of withdrawal of capital and profitability margins susceptible to volatility in raw material prices and forex rates. However, the ratings continue to derive strength from experienced and resourceful promoter, established relationship with reputed clients.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up the operations to over Rs. 80 crores while maintaining the satisfactory PBILDT margin of over 7%.
- Improve debt coverage metrics of total debt to GCA below 10x.

Negative factors

- Any large debt funded capex leading to moderation in overall gearing above 3x.
- Any decline in scale of operations marked by drop in Total Operating Income to below Rs. 50 crores.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the firm is expected to sustain its financial and operational performance by deriving strength from the vast experience of its promoter and strong relationship with customers coupled with long track record of operations of the firm.

Detailed description of key rating drivers:

Key weaknesses

Relatively moderate scale of operations

The scale of operations remained relatively moderate with total operating income of Rs.69.06 crore in FY24 (refers to refers April 01 to March 31), which has declined from Rs.78.82 crore in FY23 owing to demand slowdown in export market. The PBILDT margin remained moderate at 6.89x in FY24.

Moderate Capital Structure and Weak Debt Protection Metrics

The capital structure remained moderate with overall gearing at 2.35x as on March 31, 2024 (PY: 3.25x). The debt protection metrics remained weak with total debt to gross cash accruals at 18.32x as on March 31, 2024 owing to marginal profit margins.

Constitution of the entity as proprietorship with inherent risk of withdrawal of capital

DI, being a proprietorship concern, is exposed to inherent risk of the promoter's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor. Moreover, proprietorship business has restricted avenues to raise capital which could prove a hindrance to its growth.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Forex Exposure and volatility in raw material prices

Major portion of revenue of DI is from export sales and hence the firm is exposed to forex risk. However, the firm's forex receivables are hedged partially using forward contracts. The prices of Fabrics are directly linked to the prices of yarn which are seasonal and volatile in nature.

Key strengths

Vast experience of the promoters

The firm was established in 1993 by Mr. S Rajasekaran and has been in operation for more than three decades. Mr. S Rajasekaran, sole proprietor of DI, has nearly three decades of experience in the Readymade Garments (RMG) industry. Apart from this, the promoter also manages educational institutions and is involved in real estate business through two group entities named Avigna Properties Private Limited (APPL) and Avigna Housing Private Limited (Avigna).

Established relationship with clients however concentrated customer base

DI has established and long-standing relationship with clients who are reputed and have retail presence across the globe. However, the firm faces the risk of customer concentration with its top 10 customers contributing to 78% of the total operating income generated during FY24 (PY:86%).

Liquidity: Poor

The liquidity of the firm is poor marked by stretched accruals compared to repayment obligations. The firm has sanctioned fund-based limit of Rs.17.0 crore and non-fund-based limit of Rs.8.0 crore. The average working capital utilization of the both the limits stood around 95% for past 12 months ending August 2024. The firm on an average gives credit period of 45 days to its customers and receives an average credit period of 60 days from its suppliers. The current ratio of the firm stood moderate at 1.17x as on March 31, 2024 (PY: Rs. 1.12x).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

DI, part of Chennai based Avigna group, was established as a partnership firm in 1993 by Mr S.V. Shivagnanam as a Readymade Garment (RMG) manufacturing and export entity. The firm's constitution was changed into sole proprietorship with effect from April 2015 and currently Mr.Rajasekaran, son of Mr. Sivagnanam is the proprietor of the entity. DI exports men's, ladies and kids garments to clients in USA and Europe. DI has six manufacturing units in Chennai with a total capacity to produce 50,000 pcs of garments per day. Avigna group has presence in diversified industry including real estate, textile exports, educational institutions etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	5mFY25 (UA)
Total operating income	78.82	69.06	12.10
PBILDT	-1.54	4.76	NA
PAT	-5.49	0.76	NA
Overall gearing (times)	3.25	2.35	NA
Interest coverage (times)	NM	1.27	NA

A: Audited UA: Unaudited NM: Not Meaningful NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

CRISIL has conducted the review on the basis of best available information and has classified DI as 'Not cooperating' vide its press release dated December 19, 2023. The reasons provided by CRISIL are non-furnishing of information for monitoring of rating and did not provide No-Default Statement for last three months.

India Ratings has conducted the review on the basis of best available information and has classified DI as 'Not cooperating' vide its press release dated December 27, 2023. The reasons provided by India Ratings are non-furnishing of information for monitoring of rating.

ACUITE has conducted the review on the basis of best available information and has classified DI as 'Not cooperating' vide its press release dated June 07, 2024. The reasons provided by ACUITE are non-furnishing of information for monitoring of rating.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	7.00	CARE B; Stable / CARE A4
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	10.00	CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	8.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Packing Credit in Foreign Currency	LT/ST	7.00	CARE B; Stable / CARE A4	1)CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (08-May-24)	1)CARE B; Stable / CARE A4 (30-Jun-23)	1)CARE B; Stable / CARE A4 (23-Jun-22)	1)CARE B; Stable / CARE A4 (20-Sep-21)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	10.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (08-May-24)	1)CARE A4 (30-Jun-23)	1)CARE A4 (23-Jun-22)	1)CARE A4 (20-Sep-21)
3	Non-fund-based - ST-ILC/FLC	ST	8.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (08-May-24)	1)CARE A4 (30-Jun-23)	1)CARE A4 (23-Jun-22)	1)CARE A4 (20-Sep-21)

*Issuer did not cooperate; based on best available information.

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Packing Credit in Foreign Currency	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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