

## Divya Spinning Mill Private Limited

January 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	52.00	CARE C; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Divya Spinning Mill Private Limited (DSM) to monitor the ratings vide e-mail communications dated January 07, 2025, January 16, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Divya Spinning Mill Private Limited's bank facilities will now be denoted as **CARE C; Stable/CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of DSM have been migrated to Issuer Non-Cooperating category on account of non-submission of information required for credit rating despite repeated requests. The ratings are constrained by the company's modest scale of operation, weak debt protection metrics, stretched liquidity with elongated operating cycle, profit margins exposed to volatility in raw material prices. The ratings, however, derive strength from vast experience of the promoters in the textile industry

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on January 16, 2024 the following were the rating strengths and weaknesses

#### Key Weaknesses

##### Moderate Scale of Operations

The operating income of DSM stood relatively moderate and had declined from Rs.179.07 crore in FY22 (refers to the period April 01 to March 31) to Rs.87.50 crore in FY23 due to the slowdown in demand. PBILDT margin of the company moderated to 8.43% in FY23 from 4.93% in FY22 with higher overhead costs and reduced capacity utilization.

##### Elongated operating cycle

The operating cycle of the company elongated from 135 days in FY22 to 312 days in FY23 with stretched receivables and slow movement of finished goods due to industry wide slowdown. The operating cycle further elongated to 363 days in 7mFY24 (refers to the period April 01 to October 31). The stretched collection of receivables led to liquidity shortfall, and the company had delayed in the term loan obligations during May 2023, however the account has been regular since then as confirmed by the bankers.

##### Inherent volatility associated with prices of raw material and yarn

The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The cotton being the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impact the profitability of the spinning mills. The cotton textile industry is inherently prone to the volatility in cotton and yarn prices.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Moderate capital structure and weak debt protection metrics

The capital structure of the company stood moderate, with overall gearing of 1.21x as on March 31, 2023, compared to 1.06x as on March 31, 2022. The debt coverage indicators stood weak with Total debt / GCA of 27.69x (PY: 12.78x) as on March 31, 2023, on account of lower accruals during FY23.

### Key Strengths

#### Vast experience of the promoters in the textile industry

Mr S Subramani, aged 75 years, is the Managing Director and promoter of the company. He has experience in the textile industry for more than five decades and is actively involved in company's operation. Mr S Senthil Kumar, son of Mr S Subramani is the Joint Managing Director of DSM. He is a commerce graduate and has experience in the textile industry for more than 2 decades.

**Assumptions/Covenants:** Not applicable

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

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[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	Other Textile Products

Divya Spinning Mills Private Limited (DSM) was incorporated in the year 1999 by Mr. S. Subramani. DSM is located at Tirupur, Tamil Nadu is engaged in manufacturing of cotton yarn and cloth. The company has installed capacity of 36,000 spindles and 66 knitting machines located at Getticheviyur, Tamil Nadu along with windmills capacity of 5MW as on December 31, 2023. The company manufactures mainly cotton hosiery yarn with an average count of 25s-40s

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	7MFY24(P)
Total operating income	179.07	87.21	43.15
PBILDT	8.82	7.33	4.65
PAT	2.23	0.75	NA
Overall gearing (times)	1.06	1.21	1.13
Interest coverage (times)	1.62	1.32	NA

A: Audited P: Provisional; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Brickwork Ratings has conducted the review based on the best available information and have classified the company as "Issuer Not Cooperating" vide its press release dated December 03, 2024. The reason provided by Brickwork Ratings is that the company has not provided the required information for review.

**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-Cash Credit		-	-	-	38.04	CARE C; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2029	13.96	CARE C; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

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

**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-Cash Credit	LT	38.04	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable (16-Jan-24) 2)CARE C; Stable; ISSUER NOT COOPERATING* (02-Jun-23)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (31-May-22)	-
2	Non-fund-based - ST-ILC/FLC	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-Jan-24) 2)CARE A4; ISSUER NOT COOPERATING* (02-Jun-23)	1)CARE A4; ISSUER NOT COOPERATING* (31-May-22)	-
3	Fund-based - LT-Term Loan	LT	13.96	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable (16-Jan-24)	-	-

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

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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