Damodar Industries Limited(Revised)

January 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	-	-	Rating removed from ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable / A Four Plus ISSUER NOT COOPERATING*) and Withdrawn
Long Term Bank Facilities	-	-	Rating removed from ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating removed from ISSUER NOT COOPERATING category; Reaffirmed at CARE A4+ (A Four Plus ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	**0.00 (Rs. Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Damodar Industries Limited(DIL) have been reaffirmed and withdrawn as the company has requested for withdrawal and 'No Objection Certificates (NOC)' from the banks who have extended the facilities rated by CARE have been received. In line with the extant SEBI guidelines, CARE has withdrawn the rating with immediate effect.

The ratings assigned to the bank facilities of Damodar industries limited (DIL) continues to derive strength from experience of the promoters in textile business and financial support through infusion of unsecured loans, diversified product profile, and diversified clientele base.

The ratings of DIL is tempered by high gearing levels, losses at PAT level for FY21 (audited), susceptibility of margins to raw material price volatility and foreign exchange fluctuation, geographical concentration risk in case of exports and fragmented and cyclical nature of industry.

Detailed description of the key rating drivers:

Key Rating Strengths

Experienced promoters & established relations with suppliers & customers

Key Promoters Mr. Arunkumar Biyani, Mr. Ajay Biyani, Mr. Anil Biyani have more than three decades of experience in textile industry. Mr. Arun Kumar Biyani, has 41 years of experience in the Yarn and Fabric Business. He started his career in 1974 as Synthetic Fabrics manufacturer. Since then he is in the business of manufacturing of Cotton Yarns. Presently he looks after the financial matters of the Company. Mr. Ajay D. Biyani has 33 years' experience in the Textile Industry. He is presently in-charge of production and development of new products. Mr. Anil D. Biyani has 31 years of experience in the textile industry. He is presently looking after Marketing of the Company. The promoters are well assisted by a team of qualified and experienced professionals who are actively involved in various functions of the business. The promoters have also supported business through infusion of unsecured loans.

Diversified product profile

Damodar Industries Limited is engaged in the business of manufacturing Cotton and Blended Fancy yarns. The Company has production facilities for Cotton Spinning, Synthetic Spinning, Air Texturizing, Yarn Dyeing, Multi Print Space Dyeing, Mono Filament Polyester Yarns and Textured Twisted Yarns. The company is also involved in trading of yarn. Its manufacturing facilities are located at Dadra, Daman and Amravati (Maharashtra).

Diversified Client

With over three decade of experience DIL has been able to establish relations with diversified clientele base across domestic and exports markets.

Key Rating Weaknesses

High Overall Gearing

DIL's financial risk profile is marked by highly leveraged capital structure and moderate debt coverage ratios. Overall gearing ratio was at 3.18x as on March 31, 2021. Interest coverage remained moderate at 1.49x with total debt to GCA improved to 20.25x in FY21 vis-à-vis 28.55x during FY20.

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

Losses during FY21
DIL suffered net loss of Rs.6.20crore in FY21 in line with decline in sales due to the pandemic; however, due to lower cost of raw materials & savings in employee costs through retrenchments & salary cuts, it has been able to report improved PBILDT margins on a y-o-y basis. During H1FY22 TOI improved more than 100% y-o-y to Rs.411.94crore the company reported PAT of Rs.5.70crore in the period.
Raw Material Price Volatility
The major raw materials consumed are cotton. Cotton prices are volatile in nature driven by various factors like, area under cultivation, yield for the year, government regulation and pricing, etc. As a result, DIL remains exposed to raw material movement and may have to absorb any adverse fluctuation in raw material prices. However a significant contribution also comes from trading activity where there is minimal raw material risk.
Foreign Exchange Risk
DIL is a net exporter. DIL hedges most of its export at the time of booking the order. Ability of the company to successfully manage its foreign exchange exposure remains critical to the credit profile.
Geographical concentration risk
DIL exports to various countries, however, China & Bangladesh together accounts for over half of the group's exports, thereby exposing it to geographical concentration risk.
Cyclical & Fragmented industry
DIL operates in a highly cyclical, fragmented and commoditized textile yarn industry marked by organised as well as unorganised players. Intense competition in the industry limits the pricing abilities of the players in the industry.

Analytical approach: Standalone

Applicable Criteria
Policy on Withdrawal of ratings
Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector Entities
Financial Ratios – Non financial Sector
Rating methodology – Manufacturing companies
Rating Methodology for Cotton Textile Manufacturing

About the Company
Damodar Industries Limited (DIL) was incorporated in 1987 by Mr. Arun Biyani and his brothers Mr. Ajay Biyani and Mr. Anil Biyani. DIL was converted into public limited company on March 20, 1992. DIL is engaged in the business of manufacturing Cotton and Blended Fancy yarns. The Company has production facilities for Cotton Spinning, Synthetic Spinning, Air Texturizing, Yarn Dyeing, Multi Print Space Dyeing Mono Filament Polyester Yarns and Textured Twisted Yarns. The company is also involved in trading of yarn. Its manufacturing facilities are located at Dadra, Daman and Amravati (Maharashtra).

Brief Financials (Rs. crore)	FY20(A)	FY21 (A)	H1FY22(UA)
Total operating income	770.62	575.07	411.94
PBILDT	45.67	45.55	34.55
PAT	-6.94	-6.20	5.70
Overall gearing (times)	3.48	3.18	2.77
Interest coverage (times)	1.35	1.49	2.41

A: Audited; UA: Un-audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-Working Capital Limits		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Feb-21)	1)CARE BBB-; Stable (08-Jan-20) 2)CARE BBB; Stable (13-Aug-19)	-
2	Fixed Deposit	LT	40.00	CARE BB+ (FD); Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (01-Feb-21)	1)CARE BBB- (FD); Stable (08-Jan-20) 2)CARE BBB (FD); Stable (13-Aug-19)	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	-	-	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (01-Feb-21)	1)CARE BBB-; Stable / CARE A3 (08-Jan-20) 2)CARE BBB; Stable / CARE A3+ (13-Aug-19)	-
4	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (01-Feb-21)	1)CARE A3 (08-Jan-20) 2)CARE A3+ (13-Aug-19)	-

**Long term/ short term*

Annexure-3: Detailed explanation of covenants of the rated facilities- Not available

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details

To view the lender wise details of bank facilities please click here

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

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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