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CARE ASSIGNS "CARE BB-" AND "CARE A4" RATINGS TO THE BANK FACILITIES OF DONEAR INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	270	CARE BB- [Double B Minus]	Assigned
Short-term Bank Facilities	20	CARE A4 [A Four]	
Total Facilities	290		

Rating Rationale

The ratings assigned to the bank facilities of Donear Industries Limited (DIL) are constrained by the high quantum of debt owing to debt funded capacity expansions undertaken in the past, working capital intensive nature of business operations resulting in stretched liquidity, high leverage, low profitability margins, cyclical nature of industry and competition from the organised and unorganised players.

The ratings however derive strength from the experience of the promoters in the textile industry, reputed brand name and established marketing and distribution network.

The ability of the company to improve its profitability margins amidst a macroeconomic environment characterised by volatility in the raw material prices and intense competition both within India and abroad is the key rating sensitivity.

Background

Incorporated in 1987, Donear Industries Limited (DIL) was previously known as Maniyar India Ltd (MIL). In 1989-90, Mr Vishwanath L Agarwal and the present Directors of the Company took over MIL from the Maniyar Family. The name of the company was changed to Donear Industries Ltd in 1993. The Agarwal family holds an equity stake of 75%. DIL is headed by Mr Vishwanth L Agarwal (Chairman-Non Executive) who has an experience of 40 years in trading, manufacturing and marketing of textiles. The day to day operations at DIL is looked after by Mr Rajendra. V Agarwal who in turn is ably assisted by a team of technically competent and qualified professionals.

DIL is engaged in the manufacture of apparel fabrics, both cotton and synthetic, having applications in suiting, shirting, readymade garments and dress materials for both men and women. The company has three manufacturing units located in Silvassa, in the Union Territory of Dadra and Nagar Haveli and in Surat. DIL also has a separate unit in Umbergaon, which is primarily engaged in the packaging of its products and dispatch scheduling. The company is present in yarn dyeing, weaving and processing functions in the textile value chain.

The company reported a PAT of Rs. 0.60 crore on a total operating income of Rs.405.31 crore in FY13 (refers to the period April 1 to March 31) as compared to PAT of Rs.0.05 crore on a total income of Rs.380.96 crore in FY12. During 9MFY14, DIL reported a PAT of Rs.1.28 crore on a total operating income of Rs.344.57 crore.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Analyst Contact
Name: Pulkit Agarwal
Tel: 022 – 67543505
Email: pulkit.agarwal@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra
Managing Director
Mobile : +91-98204 16002
E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President –Bank Loan & Instrument Rating
Mobile: +91-9819009839
mail: meenal.sikchi@careratings.com

Mr.Ankur Sachdeva
Vice President – Banks & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 ǀTel: +91-022- 6754 3456 ǀ E-mail: care@careratings.com ǀ Fax: +91-022- 6754 3457.

KOLKATA ǀ **Ms. Priti Agarwal** ǀ Cell: +91-98319 67110 ǀ Tel: +91-33- 4018 1600/ 1602 ǀ E- mail: priti.agarwal@careratings.com ǀ 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI ǀ **Mr. V Pradeep Kumar** ǀ Cell: +91 9840754521 ǀ Tel: +91-44-2849 7812/2849 0811 ǀ Fax: +91-44-2849 0876 ǀ Email: pradeep.kumar@careratings.com ǀ Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD ǀ **Mr. Mehul Pandya** ǀ Cell: +91-98242 56265 ǀ Tel: +91-79-40265656 ǀ Fax: +91-79-40265657 ǀ E-mail:mehul.pandya@careratings.com ǀ 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI ǀ **Ms. Swati Agrawal** ǀ Cell: +91-98117 45677 ǀ Tel: +91- 11- 2331 8701/ 2371 6199 ǀ E-mail: swati.agrawal@careratings.com ǀ 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU ǀ **Mr. Dinesh Sharma** ǀ Cell: +91 9900041975ǀ Tel: +91-80-41150445 ǀ41654529 E-mail: dinesh.sharma@careratings.com ǀ Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD ǀ **Mr. Saikat Roy** ǀǀ Tel: +91-40-40102030 ǀ E-mail: saikat..roy@careratings.com ǀ 401, Ashoka Scintilla ǀ 3-6-520, Himayat Nagar ǀ Hyderabad - 500 029.

PUNE ǀ **Mr. Rahul Patni** ǀ Cell: +91-78754 33355 ǀ Tel: +91-20- 4000 9000 ǀ E-mail: rahul.patni@careratings.com ǀ 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPURǀ **Mr. Rahul Jain** ǀ Cell: +91-9314921496ǀ Tel: +91-0141-4020213/14 ǀ E-mail: rahul.jain@careratings.com ǀ304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.