

Divya Textile Industries

March 30, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	13.18	CARE B+; Stable; Issuer Not Cooperating* (Single B Plus; Outlook: Stable; Issuer Not Cooperating)	Issuer Not Cooperating; Based on best available information
Total	13.18 (Rupees Thirteen crore and Eighteen Lakh only)		

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Divya Textile Industries (DTI) to monitor the rating vide e-mail communications/letters dated December 09, 2019, December 13, 2019, December 23, 2019, January 22, 2020, January 31, 2020, February 03, 2020, February 05, 2020, February 07, 2020 February 28, 2020, March 02, 2020, March 04, 2020, March 07, 2020, March 19, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on DTI's bank facilities will now be denoted as **CARE B+; Stable; 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 ratings.

The rating assigned to the bank facilities of DTI takes into account its nascent stage of operations for manufacturing of grey fabrics. The rating is further constrained on account of its presence in a highly competitive and fragmented textile industry along with susceptibility of operating margins to volatility in raw material prices. The rating however derives strength from experienced proprietor in textile industry with accessibility of existing selling and distribution network of the group companies, location advantages and fiscal benefits.

Detailed description of the key rating drivers

At the time of last rating on May 03, 2019 the following were the rating strengths and weaknesses (Updated for the information from publically available information)

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of operations

DTI had been implementing project of manufacturing grey fabric at a total cost of Rs.17.21 crore, proposed to be funded through debt/equity mix of 4.68 times. Till March 28, 2019, the firm has incurred 11.62% of the envisaged project cost funded through promoters' capital. DTI has commenced commercial operations has reported TOI of Rs. 6.11 crore and PBILDT of Rs. 1.98 crore during 9MFY20 (Provisional).

Presence in the highly competitive and fragmented textile industry

DTI operates in textile industry, which is highly competitive and fragmented industry marked by presence of large number of independent and small scale unorganized players leading to high competition among industry players. The smaller companies with limited presence in textile value chain are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability.

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

*Issuer did not co-operate; Based on best available information

Susceptibility of operating margins to volatility in raw material costs

Major Raw Material for DTI is Polyester Yarn. The prices of raw materials move in tandem with international prices, which in turn have positive correlation with the prices of petrochemical products. Prices of raw material i.e. Polyester Yarn are primarily dependent on prices of crude oil which are volatile in nature. Considering the highly fragmented nature of textile industry and limited bargaining power with the customers and suppliers; any adverse volatility in the raw material prices may hamper the firm's margins.

Key Rating Strengths***Experienced proprietor with access to existing selling and distribution network of the group companies***

The proprietor, Mr. Sushilkumar Fatehpuria, has more than three decades of experience in textile industry and having Directorship in M/s. Divya Fashion Private Limited (DFPL) since last 10 years. DFPL is engaged in manufacturing of Sarees. DFPL is based at Surat and having around 200-250 wholesale customer base at Andhra Pradesh and Telangana. DTI will benefit from the customer base and distribution channel established by DFPL.

Fiscal Benefits receivables

DTI is eligible to receive various fiscal benefits from state government i.e. capital subsidy 25% for under Subsidy schemes introduced by Government of Telangana to promote Textile Manufacturing and 8% Interest subsidy from State government.

Location advantage by way of presence in textile hub

DTI plant is located in Telangana which is considered to be one of the emerging textile hubs in India. The presence in textile hub provides additional advantage of easy market availability for its product to DTI along with lower logistic expenditure (both on the transportation and storage). It enjoys good road, rail and air connectivity leading to better lead time and facilitating delivery of finished products in a timely manner.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's methodology for manufacturing companies](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the Firm

Surat (Gujarat) based Divya Textile Industries (DTI) was established in February, 2019 as a Proprietorship Firm by Mr. Sushil Fatehpuria to undertake manufacturing of Grey Fabric. DTI has set up a plant in Telangana with an installed capacity of 21.84 lakh meters of grey fabric per annum. DTI has commenced commercial operations from FY20. Mr. Sushilkumar Fatehpuria is director in Divya Fashion Private Limited (DFPL, engaged in Manufacturing of Ladies wear Sarees) since last 10 years. DTI customer base mainly consist wholesalers located in Hyderabad, Andhra Pradesh & Telangana region. The key raw material i.e. polyester yarn will be procured entirely from domestic market (mainly Surat).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Not Applicable

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March, 2026	11.78	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	1.40	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; based on best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	11.78	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B+; Stable (03-May-19)	-	-	-
2.	Fund-based - LT-Cash Credit	LT	1.40	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B+; Stable (03-May-19)	-	-	-

*Issuer did not cooperate; based on best available information

Note on complexity levels of the rated instrument: 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.

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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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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