

Dodhia Synthetics Limited

Instrument	Amount (Rs. crore)	Rating Action
Long-Term, Fund Based Limits – Term Loans	53.26	[ICRA]BBB- (Stable) assigned
Long-Term, Fund Based Limits	101.50	[ICRA]BBB- (Stable) assigned
Long-Term / Short-Term, Interchangeable Limits *	(92.50)	[ICRA]BBB- (Stable)/ [ICRA]A3 assigned
Short-Term, Non-Fund Based Limits	2.00	[ICRA]A3 assigned

Source: ICRA research; * sub-limits of above rated Rs. 101.50 crore Long-Term, Fund Based limits of the company

ICRA has assigned a long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) to the Rs. 53.26 crore¹, term loans and Rs. 101.50 crore long-term, fund-based limits of Dodhia Synthetics Limited (DSL)². ICRA has also assigned a short-term rating of **[ICRA]A3** (pronounced ICRA A three) to the Rs. 2.00 crore, short-term, non-fund based limits of DSL. ICRA has also assigned ratings of **[ICRA]BBB-/ [ICRA]A3** (pronounced ICRA triple B minus)/ ICRA A three) on the Rs. 92.50 crore long-term/ short-term interchangeable facilities of the company, which are sub-limits of above rated Rs. 101.50 crore long-term, fund-based limits of the company. The outlook on the long-term rating is **'stable'**.

In arriving at the ratings, ICRA has taken a consolidated view of the key Dodhia Group entities of Dodhia Synthetics Limited (DSL) and Vasupujya Filaments (VF), given their strong operational and financial linkages, presence in similar businesses as well as their common management control.

The ratings assigned favourably factor in the experience of the promoters of the Dodhia Group in the yarn industry for over four decades. ICRA notes the Group's established production track record, and the favourable locations of its manufacturing facilities in proximity to raw material suppliers and customers. The ratings also take into account the regular additions done to manufacturing capacities to support growth. The ratings are, however, constrained by the moderate financial profile, characterised by leveraged capital structure on account of debt-funded capacity expansions and moderate profitability. Nonetheless, equity infusion during FY2016 provides comfort. Furthermore, the operating income and profit margins are susceptible to the cyclicity in the textile industry, foreign currency fluctuations and raw material prices. However, the niche products manufactured by the Group mitigate this risk to an extent. The Group has high supplier concentration; however, the long-standing relationship of the promoters with suppliers mitigates the risk to a certain extent. DSL also enjoys exposure to Group companies in similar businesses by way of investments and corporate guarantees. The Group's ability to expand margins, while scaling up the business and maintaining prudent debt level, shall be key rating sensitivities.

About the Company

Established in 1989, Dodhia Synthetics Limited (DSL) is promoted by the Dodhia family. As of March 31, 2016, Dodhia family held 87.5% stake in DSL. It is a part of the Dodhia Group, which includes other entities such as Vasupujya Filaments (VF, rated [ICRA]BBB- (Stable)/[ICRA]A3), A-One Sizing, Kemox Corporation, Dodhia Chem Tex Private Limited, Dodhia Filaments Private Limited and Arun Amber Silk Mills. The Group is mainly involved in the yarn and chemicals businesses, with DSL being its flagship company. DSL manufactures dyed polyester yarn, speciality yarn and high bulk carpet yarn, with denier ranging from 75 to 1,400. DSL and VF have four manufacturing facilities at Maharashtra and the Union Territory of Dadra and Nagar Haveli (two in Bhiwandi, one at Wada and one at Silvassa). The facilities are equipped with various texturising, twisting and dyeing machines that can process ~25,000 metric tonnes and ~7,000 metric tonnes of yarn per annum for DSL and VF, respectively. DSL generated ~73% of its revenue in FY2016 from exports to Turkey and the UAE. The

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

end-consumers of the yarn manufactured by the Dodhia Group are the carpet, home furnishing, and apparel industries.

Recent results

As per the unaudited financial statements for FY2016, Dodhia Group (Consolidated) reported a net profit of Rs. 10.69 crore on an Operating Income (OI) of Rs. 473.85 crore. During FY2015, Dodhia Group (Consolidated) had reported a net profit of Rs. 8.10 crore on an OI of Rs. 443.71 crore.

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For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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Registered Office

ICRA Limited

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office

Mr. Vivek Mathur

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,

Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata

Mr. Jayanta Roy

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020

Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035

Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore

Bangalore

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'

Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008

Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006

Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune

Mr. L. Shivakumar

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar,Pune-411 020

Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad

Mr. Jayanta Chatterjee

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083

Tel:- +91-40-40676500