

Dileep Industries Private Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	June 2016
Fund Based Limits - Packing Credit	12.0	[ICRA]A3+;reaffirmed, suspension revoked
Fund Based Limits - FDB/FBE*	6.0	[ICRA]A3+ reaffirmed, suspension revoked

*Foreign Demand Bill/Foreign Bill of Exchange

ICRA has reaffirmed its short term rating of [ICRA]A3+ (pronounced ICRA A three plus) on the Rs 18.0 crore¹ fund based bank facilities of Dileep Industries Private Limited (DIPL)[†]. The rating suspension in March 2016 stands revoked.

The rating reaffirmation takes into account the DIPL's established presence in the handicraft export business and its established relationships with reputed clients like Target Corporation , IMAX Corporation, USA etc. The rating also draws comfort from the ~8% growth in the operating income of the company during FY2016 over the preceding years, its comfortable profitability which coupled with relatively low gearing levels have led to healthy debt protection indicators. The rating is however constrained by exposure to geographical risk owing to majority of the export income coming from clients in USA and some exposure to Europe which is subject to economic uncertainty; intensely competitive nature of the industry and vulnerability of DIPL's profitability to fluctuations in raw material prices. The rating also factors in the moderate liquidity profile of the company as reflected by high working capital intensity of 19% in FY2016 and high limits utilization during the year. While reaffirming the rating, ICRA notes that DIPL has paid ~65% of net profit as dividend during FY2016. Further the ratings take into account the risk of adverse movement in foreign exchange rates faced by the company; however the company has active hedging policy in place to mitigate this risk.

Going forward company's ability to grow its revenues, to reduce its geographical concentration risk and to manage its forex risk and manage working capital effectively would be the key rating sensitivities.

Company Profile

DIPL was incorporated in 2004 and is a part of 'Dileep Group' which is engaged in the manufacturing, trading and export of wooden handicraft items since 1988. DIPL has established seven units for the manufacturing and designing of handicrafts, out of which three units are located at Jodhpur and four units are located at Jaipur. The company mainly exports handicraft items to the USA and European markets.

Recent Results

The company on a provisional basis reported a net profit after tax of Rs 7.44 crore on an operating income of Rs 123.41 crore in FY2016 as against a net profit after tax of Rs 6.52 crore on an operating income of Rs 114.54 crore in FY2015.

June 2016

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¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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