

Dharti Spinning Mills Private Limited

Instrument	Amount Rated	Rating Action
Term Loan Limit	Rs. 33.05 crore	Revised from [ICRA]B+ to [ICRA]BB-(stable)
Cash Credit Limit	Rs 5.00 crore	Revised from [ICRA]B+ to [ICRA]BB-(stable)
Bank Guarantee	Rs 2.06 crore	[ICRA]A4 reaffirmed

ICRA has upgraded the long-term rating from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]BB-(stable) (pronounced ICRA double B minus) for Rs 33.05-crore term loan facility and Rs 5.00-crore cash credit facility of Dharti Spinning Mills Private Limited (DSMPL). ICRA has also reaffirmed ratings of [ICRA]A4 (pronounced ICRA A four) to Rs. 2.06-crore¹ Bank Guarantee of Dharti Spinning Mills Private Limited (DSMPL)². The outlook on the long-term rating is 'Stable'.

The rating revision reflects the stabilisation of operations as per the expected parameter since the previous rating exercise, which was the first year of operation for DSMPL. The rating also favourably takes into account various fiscal benefits in terms of interest subsidy and subsidised power tariffs and refund of VAT, which may result in relatively comfortable margins. The rating further takes into account the locational advantage enjoyed by DSMPL due to the presence of a large number of cotton ginneries in the vicinity of the company, giving it easy access to ginned cotton.

The rating continues to factor in the highly competitive business environment, given the fragmented nature of the cotton industry, thus limiting the company's ability to fully pass on the increase in raw material prices and vulnerability of profitability to unexpected movement in cotton prices, which are in turn subject to seasonality and crop harvest. ICRA further notes the debt-funded capital expenditure undertaken by the company and the high working capital intensity of operations, which is expected to keep the capital structure and credit metrics stretched in the near term.

Going forward, the company's ability to achieve the desired sales volumes, coupled with the expected profitability in the highly competitive scenario and generate sufficient cash accruals to ensure timely debt servicing will remain the key rating sensitivities.

Company Profile

Dharti Spinning Mill Private Limited (DSMPL) was incorporated in November 2012 by Mr. Amitkumar Bhalodiya along with other directors. The company spins cotton yarn and has an installed capacity of manufacturing 3315 MTPA of 30s and 32s combed hosiery yarn by utilising 16416 spindles. As per discussions with the management, the company commenced commercial production from June 2014.

Recent Results

For the year ended March 31, 2016, the company has reported an operating income of Rs. 72.24 crore with profit after tax of Rs.1.24 crore as per audited results.

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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.



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