



Rating Rationale

DCM Nouvelle Ltd.

3 Sept 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 207.64 Crs of DCM Nouvelle Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	198.89	Long Term	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: Stable
Non Fund Based	8.75	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	207.64	INR Two Hundred Seven Crores and Sixty Four Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials of textile division of DCM Ltd upto FY18, unaudited Balance Sheet as at 1st April 2019 of DCM Nouvelle Ltd, 1st Quarter results of FY20, Projected financials of FY20 and FY21, publicly available information and information/clarifications provided by the management.

The rating draws comfort from a long track record of operations, diversified experience and moderate financial risk profile. The ratings however, are constrained by susceptibility of the margins to volatile cotton prices and declining cotton yarn exports.

Going Forward, the ability of the company to improve its scale of operations, profitability margins and timely servicing of the debt would be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Long track record of operations and diversified experience:** Textile Division of DCM Ltd was demerged into DCM Nouvelle Ltd with effect from 01.04.2019. Mr Hemant Bharat Ram is the MD of DCM Nouvelle Ltd and has more than two decades of experience in handling the varied business including textiles. He is supported by a well qualified and experienced team of promoters.
- **Moderate Financial risk profile:** Financial risk profile of the entity is moderate with TNW of Rs 151.41 Crs as on 01.04.2019. Before Demerger the company had moderate debt protection metrics i.e. ISCR and DSCR of 4.35X and 2.37X as on 31.03.2019. Operating profit and net profit margins were 9.39% and 5.86% in FY19 as compared to 6.22% and 1.60% respectively in FY18.

Credit risks:

- **Susceptibility of the margins to volatile cotton prices:** Cotton prices are highly volatile which largely depends upon international demand supply dynamics and government regulations and can impact profitability margins substantially.
- **Declining cotton yarn exports:** As per a news item, Cotton Yarn exports have witnessed steep decline of 33% first quarter ended June 2019. The steep fall in exports is due to variety of reasons including decline in exports to leading export markets like China, Bangladesh, South Korea and the duty free access given for import of cotton yarn by China to countries like Pakistan and Vietnam from 1st April 2019. Due to volatility in cotton prices the company's net margins have drastically reduced from 5.86% in FY19 to 0.43% in Q1FY20.

Liquidity

Liquidity profile of the entity is satisfactory as CC Utilization during the last six months is approximately 20% which is low. Low utilization of working capital limits provide cushion during any adverse situation.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Rating Outlook: Stable

BWR believes the **DCM Nouvelle Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

DCM Nouvelle Ltd is engaged in manufacturing and export of cotton yarn. Its manufacturing unit located at Hisar, Haryana Spread across 267 acres) with residential campus and officers club has spindle capacity of 115000 with 2500 MT of monthly production. DCM Nouvelle Ltd incorporated in the year 2016 but till 31.03.2019 it had no business activity. With effect from 01.04.2019 textile division of DCM Ltd demerged into DCM Nouvelle Ltd. DCM Ltd and DCM Nouvelle Ltd are now two different entities with no business transactions between them. DCM Nouvelle Ltd is presently listed on BSE and NSE

Mr Hemant Bharat Ram is MD of DCM Nouvelle Ltd and has more than two decades of experience in handling the varied business including textiles.

Company Financial Performance

Key Parameters	Units	2018*	2019 *	Q1FY20
Result Type		Audited	Audited	Unaudited
Operating Revenue	₹ Cr	596.75	667.50	156.25
EBITDA	₹ Cr	37.09	62.70	6.86
PAT	₹ Cr	9.58	39.13	0.68
Tangible Net worth	₹ Cr	111.75	151.38	-
TOL/TNW	Times	2.32	1.36	-
Current Ratio	Times	1.36	1.67	-

*as textile division of DCM Ltd

Rating History for the last three years

Instrument /Facility	Current Rating (2019)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
Fund Based	Long Term	198.89	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: Stable	NA	NA	NA
Non Fund Based	Short Term	8.75	BWR A3 (Pronounced as BWR A Three)			
Total		207.64	INR Two Hundred Seven Crores and Sixty Four Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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