



Rating Rationale

Devdeep Cotton Industries

8 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 14.00 Cr of Devdeep Cotton Industries.

Particulars

Facility	Amount (₹ Cr)	Tenure	Rating*
Fund based	14.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Total	14.00	INR Fourteen Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY17 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from established presence of the firm and experience of management in the line of business and proximity of the manufacturing unit to the cotton producing belt of Gujarat. However, the rating is constrained by decrease in revenue, weak debt protection metrics and competitive nature of the industry. Further, being a partnership firm, any significant withdrawal from the capital/current account by the partners would adversely impact the capital structure, hence this remains a rating sensitivity.

Going forward, the ability of the firm to increase the turnover levels and profitability, improve its financial risk profile and manage its working capital efficiently will be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:**

Established Firm and Experienced Management: The firm was established in the year 2005 and has a management with an average experience of 13 years in the same line of business.

Geographical advantage: The manufacturing unit of the concern is located near the cotton producing belt of Gujarat which gives easy access to availability of raw material.

- **Credit Risks:**

Decrease in Revenue: DCI reported total operating income of Rs.55.55 Crs in FY17 against Rs.76.43 Crs in FY16.

Weak Debt Protection Metrics: Both the debt protection metrics of the firm remained weak in FY17.

Fragmented and competitive nature of industry: There are high number of organized as well as unorganized players in the market. Hence, competition may have an adverse affect to the operating profit/margin of the firm.

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 **Devdeep Cotton Industries** 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

Devdeep Cotton Industries (DCI) was established in the year 2005 as a partnership firm. It has a total of 8 partners and promoted by Mr. Nilesh Patel, Mr. Hitesh Aghera and Mr. Dharmesh Dadhania. The firm is involved in ginning and pressing of raw cotton to produce cotton bales and cotton seeds. DCI's manufacturing unit is located at Hadamtala in the Rajkot District of Gujarat. The firm is currently equipped with 36 ginning machines and one pressing machine with a production capacity of 60 kg per hour.



Firm Financial Performance

The firm reported a net revenue from operations of Rs. 55.55 Crs in FY17 and Rs. 76.43 Crs in FY16. The firm has net profit margin of 0.03% in FY17 and 0.06% in FY16. Tangible net worth stood at Rs. 6.97 Crs as on March 31, 2017 and Rs. 7.00 Crs. in 31st March, 2016.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	14.00	BWR B+ (Outlook: Stable)	NA	NA	NA
	Total		14.00	₹ Fourteen Crores Only			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	55.55	76.43
EBITDA	₹ Cr	0.33	1.04
PAT	₹ Cr	0.02	0.05
Tangible Net worth	₹ Cr	6.97	7.00
Total Debt/Tangible Net worth	Times	1.85	1.38
Current Ratio	Times	1.47	1.67

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- **Manufacturing Sector**

Analytical Contacts	Media
<i>AP Kamath</i> <i>GM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.