Rating Rationale

Diamond Hometex India Private Limited

15th February, 2018

Brickwork Ratings reaffirms the rating for the bank loan facilities of Diamond Hometex India Private Limited.

Particulars

Facilities	Tenor	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Previous Rating	Present Rating
Fund Based					
Cash Credit	Long Term	5.00	**5.00**	BWR BB- (Pronounced as BWR Double B Minus) Outlook-Stable	**BWR BB- (Pronounced as BWR Double B Minus) Outlook-Stable Reaffirmed**
Term Loan*		2.44	**0.67**		
SLC	Short Term	0.75	**0.75**	BWR A4 (Pronounced as BWR A Four)	**BWR A4 (Pronounced as BWR A Four) Reaffirmed**
Total		8.19	**6.42**	**(INR Six Crores & Forty Two Lakhs Only)**	

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

Long Term rating reaffirmed at BWR BB-. Short Term rating reaffirmed at BWR A4.

Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In reaffirming the ratings of **Diamond Hometex India Private Limited** (DHIPL or 'the company'), BWR has factored in the average financial risk profile of the company, low gearing and comfortable liquidity position. However, the ratings are constrained by shortfall in the envisaged performance of the company in terms of scale of operations and operating profitability, deterioration in the debt protection metrics for the period FY16-FY17, high inventory holding period and moderate scale of operations.

Key Rating Determinants

Credit Strengths

- Proven track record of operations and established relationship with buyers.

- Average financial risk profile of the company marked by comfortable debt protection metrics reflected by ISCR of 2.16 times in FY17 as against 4.14 times in FY16, DSCR of 1.38 times in FY17 as against 2.10 times in FY16; however the same has deteriorated in FY17 as against FY16.

Credit Weaknesses

- Shortfall in envisaged performance of the company in terms of profitability for the period FY16-FY17 owing to the after- effects of demonetization.
- High inventory holding period marked by Days Inventory of 104 days in FY17 as against 68 days in FY16.
- Modest scale of operations in the highly competitive and fragmented industry.
- Volatility associated with raw material prices.

Going forward, the company's ability to register revenue growth along with improvement in operating profitability margins and manage any mismatch in cash flows for repayment of its debt obligations will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Diamond Hometex India Private Limited** 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 company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Panipat-based, (Haryana) Diamond Hometex India Private Limited (DHIPL) was incorporated in 2013 by Mr. Mahavir Goyal and Mr. Dayanand Gupta, with an objective to manufacture polyester blankets. The company has set up a unit for manufacturing polyester blankets at Panipat and DHIPL commenced its operations from August, 2014 (i.e. from second quarter of FY15). Hence, FY16 was the first full year of operation for the company. The main raw material required for production is polyester yarn which is procured mainly from Dadra and Nagar Haveli. The company procures the remaining raw materials like satin silk and dyeing colors from the domestic markets viz. Ludhiana, Jalandhar, Amritsar and New Delhi. The company sells the finalized products under its own brand name "Diamond".

Company’s Financial Performance

Key Financial Parameters	FY17	FY16
Revenue from operations	Rs. 16.05 Cr	Rs. 24.12 Cr
EBIDTA	Rs. 1.71 Cr	Rs. 3.62 Cr
PAT	Rs. 0.02 Cr	Rs. 1.18 Cr
Total Debt	Rs. 6.90 Cr	Rs. 6.76 Cr

The tangible net worth of the company stood at Rs. 6.14 Crs as on 31-3-2017.

Rating History for the last three years:

<table>
<tr><th>SI. No.</th><th>Instrument/Facility</th><th colspan="3">Current Rating (Year 2018)</th><th colspan="3">Rating History</th></tr>
<tr><th></th><th></th><th>Type (Long Term/Short Term)</th><th>Amount (Rs. Crs)</th><th>Rating</th><th>2017</th><th>2016</th><th>2015</th></tr>
<tr><td>1</td><td>Cash Credit</td><td>Long Term</td><td>5.00</td><td>BWR BB-/Stable Reaffirmed</td><td>BWR BB-/Stable</td><td rowspan="3">NA</td><td rowspan="3">NA</td></tr>
<tr><td>2</td><td>Term Loan*</td><td>Long Term</td><td>0.67</td><td>BWR BB-/Stable Reaffirmed</td><td>BWR BB-/Stable</td></tr>
<tr><td>3</td><td>SLC</td><td>Short Term</td><td>0.75</td><td>BWR A4 Reaffirmed</td><td>BWR A4</td></tr>
<tr><td colspan="3">Total</td><td>6.42</td><td colspan="4">(INR Six Crores & Forty Two Lakhs Only)</td></tr>
</table>

***Term loan O/s as of 5-2-2018**
NA: Not Available

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

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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, 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 ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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