



Press Release

Vasupujya Filaments

November 26, 2020

Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based facilities – Cash Credit	18.75	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
2	Long Term Fund based facilities – Term Loans	11.52	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
3	Long Term Fund based facilities – Proposed Term Loans	4.20	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
4	Short Term Non-Fund based facilities – Bank Guarantee	2.60	IVR A3 (Credit Watch with Developing Implications) (IVR A Three Credit Watch with Developing Implications)
	Total	37.07	

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings assigned to the bank facilities of Vasupujya Filaments (VF) take into account its established track record and experienced promoters, established relationship with diversified and reputed customers, growing top line coupled with improving operating profitability with healthy financial risk profile and capital structure. These are partially offset by its susceptibility to raw material prices and forex risk, highly competitive industry with low entry barriers, adverse impact of Covid-19 pandemic on textile sector.



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The outlook has been kept under credit watch with developing implications on account of subdued H1FY2021 financial performance which has been impacted due to COVID -19 pandemic & we shall closely monitor the next H2FY2021 performance

Key Rating Sensitivities

Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Improvement in the operating cycle leading to improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis
- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in debt protection metrics
- Any adverse government regulations.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established Track record and experienced promoters - The promoters of Dodhia group Mr. Mansukhlala M Dodhia who is founder-chairman along with his brother Mr. Pradeep Dodhia, Managing Director have a long track record of more than three decades in the Textile manufacturing industry. The group is promoted by Dodhia family and is a family owned business. Promoters are supported by the team of experienced & qualified professionals.

The group consists of 3 major companies Dodhia Synthetics Limited (DSL) Flagship Company, Vasupujya Filaments (VF) and Dodhia Chem-Tex Pvt Ltd (DCT).

Established relationship with diversified and reputed customers - The promoters are well qualified professionals who have helped them to provide technical solutions & advise to its customers resulting in the company having established relationships with its customers. 75% of DSL sales are in export whereas VF sales are domestic only. Hence the company has good diversified client base. Top 10 customers of DSL constitute 34.5% of the total



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sales in FY2020, whereas Top 10 customers of VF constitute 82.2% of the total sales in FY2020 in which 58% of the sales was to DSL which is sold for further processing of the yarn to get the desired finished product.

Growing top line coupled with improving operating profitability - On a consolidated basis, the Total Operating Income of the Dodhia Group increased at a CAGR of ~11% from FY17 to FY20 due to an increase in the installed capacity which in turn increased revenue and profitability. The consolidated TOI was recorded at Rs. 665.45 crore as on FY2020 (prov) as against Rs. 654.60 crore in FY2019. The y-o-y growth of total income for FY19 and FY20 was 31% and 1.7% respectively. The company's EBITDA margins have improved from 10.36% and 10.93% as on FY2020.

Healthy financial risk profile and capital structure - Dodhia Group has a healthy capital structure marked by adjusted tangible networth of Rs. 177.23 crore. The group has a moderate debt protection metrics with interest coverage of 2.35x in FY2020, Long Term Debt to Equity of 0.76x and an overall gearing ratio of 1.57x as on March 31, 2020. The TOL/TNW stood at 2.20x as on FY2020.

Key Rating Weaknesses

Susceptibility to raw material prices and Forex risk - As 75% of the revenue of Dodhia Synthetics Limited is from exports, the group margins are susceptible to exchange rates: Also the raw material is PET chips which are crude derivate and is fluctuating in nature. Hence the profitability margins are susceptible to raw material prices.

Highly competitive industry - The group has manufacturing facilities in Gujarat & Maharashtra. The group is exposed to the risk of losing market share from various organised & unorganised players in the textile industry.

Adverse impact of Covid-19 pandemic on textile sector - The closure of retail stores and malls on account of lockdown situation across the nation has affected textile industry's sales. On the international front, spread of Covid-19 in top export destinations such as Europe and US (together accounting for about 60% of the total apparel exports) has resulted in closure



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of retail stores and malls there. Even after the lockdown is lifted, gradual and delayed recovery is likely in consumer demand given the relatively discretionary nature of the apparel products in the backdrop of likely economic slowdown. There may be a cascading impact on demand of other textile products including cotton yarn and fabric. Moreover, Indian textile industry is already witnessing an over-supply situation which would be further impacted by slowdown in demand due to Covid-19 pandemic. Further, the labour intensive nature of operations of the textile sector could impact its profitability due to sub optimal capacity utilization in near term for ensuring adherence to norms of social distancing. The strength of the recovery will be contingent on the duration and extent of the Covid-19 pandemic, where a prolonged downturn in apparel demand will constrain revenues and earnings of the sector.

Analytical Approach: For arriving at the ratings, Infomerics has considered the consolidated financials of three companies namely Dodhia Synthetics Limited, Vasupujya Filaments and Dodhia Chem-Tex Pvt Ltd. considering the same promoters and management and strong operational and financial linkage. The group is referred to as the 'Dodhia Group'.

Applicable Criteria

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The group had generated healthy cash accrual of around Rs.41.18 Crore in FY2020 (Prov.) as against repayment obligation of close to Rs. 22.93 crore. The group has availed the moratorium as per RBI guidelines. The average CC utilisation stood at around 90% for over the 12 months ended Aug 2020 indicating a moderate liquidity buffer. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.

About the Group

Dodhia Group has been engaged in manufacturing of Dyed Polyester Filament Yarn, Fancy Yarn, Speciality Yarn, Airtex Yarn, Interlaced Yarn, Bi-shrinkage Yarn, Plyed Yarn and Twisted Dyed Bundled Yarn for more than 4 decades.



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Dodhia group consists of 3 major companies Dodhia Synthetics Limited (DSL), Vasupujya Filaments (VF) and Dodhia Chem-Tex Pvt Ltd (DCT). DSL has 4 manufacturing units located at Bhiwandi (Maharashtra), Silvassa(Gujarat), Surat, and MIDC Kalyan Dombivali. Vasupujya Filaments has it manufacturing unit at Silvassa, Gujarat. The facilities are equipped with various texturizing, twisting and dyeing machines that can process ~26,400 metric tonnes and ~11,175 metric tonnes of yarnper annum for DSL and VF, respectively.

Financials: Consolidated

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	654.60	665.42
EBITDA	67.83	72.74
PAT	23.84	20.78
Tangible Net worth	108.37	124.04
Adjusted Tangible Net worth	162.69	177.23
EBITDA Margin (%)	10.36	10.93
PAT Margin (%)	3.62	3.10
Overall Gearing Ratio (x)	1.52	1.57

*As per Infomerics Standards

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	225.91	198.45
EBITDA	13.42	11.78
PAT	3.08	1.32
Tangible Net worth	15.28	15.20
EBITDA Margin (%)	5.94	5.94
PAT Margin (%)	1.36	0.66
Overall Gearing Ratio (x)	3.39	2.95

*As per Infomerics Standards



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Status of non-cooperation with previous CRA: CARE Ratings in their press release dated February 03rd, 2020 have classified Vasupujya Filaments as ISSUER NOT COOPERATING.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
A.	Fund Based Facilities						
1.	Cash Credit	Long Term	18.75	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)	NA	NA	NA
2	Term Loans	Long Term	11.52	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)	NA	NA	NA
3	Proposed Term Loan	Long Term	4.20	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with	NA	NA	NA



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Sr. No.	Name of Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
				Developing Implications)			
B	Non – Fund based Facilities						
	Bank Guarantee	Short Term	2.60	IVR A3 (Credit Watch with Developing Implications) (IVR A Three under Credit Watch with Developing Implications)	NA	NA	NA
Total			37.07				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based facilities –	-	-	-	18.75	IVR BBB- (Credit Watch with Developing



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Cash Credit					Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
Long Term Fund based facilities – Term Loans	-	-	March 2025	11.52	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
Long Term Fund based facilities – Proposed Term Loans	-	-	-	4.20	IVR BBB- (Credit Watch with Developing Implications) (IVR Triple B Minus under Credit Watch with Developing Implications)
Short Term Non- Fund based facilities – Bank Guarantee	-	-	-	2.60	IVR A3 (Credit Watch with Developing Implications) (IVR A Three under Credit Watch with Developing Implications)
Total				37.07	