DONEAR® INDUSTRIES LTD.
Donear House, Plot No. A-50, Road No. - 1, MIDC., Andheri (E), Mumbai - 400 093.
Tel : 022 - 68348100 (Board Line) | Fax : 022 - 68348313
E: investor@donear.com / info@donear.com
Web: www.donear.com CIN : L99999MH1987PLC042076

Donear/SECD/SE/2025-26 March 18, 2026

To, **The Manager,** **Corporate Relations Department,** **BSE Limited** Phiroze Jeejeebhoy Tower, Dalal Street, Fort, Mumbai – 400 001 **Scrip Code: 512519**	**The Manager,** **Listing Department,** **National Stock Exchange of India Limited**, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 **Symbol: DONEAR**

Sub: Revision in Credit Rating

Ref: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir / Madam,

India Ratings and Research (Ind-Ra) has upgraded Donear Industries Limited's (DIL) bank loans to 'IND BBB+/Stable/IND A2+ ' from 'IND BBB/Stable/ IND A3+'. The Outlook is Stable.

The instrument-wise rating actions are given below:

Instrument Type	Size of Issue (Crores)	Rating/Outlook	Rating Action
Fund-based working capital limits	INR 335.11	IND BBB+/Stable / IND A2+	Upgraded
Non-fund-based working capital limits	INR 17.05	IND A2+	Upgraded
Term loans	INR 13.81	IND BBB+/Stable	Upgraded

The aforesaid information will also be disclosed on the website of the Company at www.donear.com.

Kindly take the same on record.
Thanking You,
Yours faithfully,
For Donear Industries Limited

KRISHNA ASHISH AGRAWAL
Digitally signed by KRISHNA ASHISH AGRAWAL
Date: 2026.03.18 18:47:16 +05'30'

Donear Industries Limited

Krishna Agrawal
Company Secretary & Compliance Officer

India Ratings & Research
A Fitch Group Company

India Ratings Upgrades Donear Industries to 'IND BBB+'/Stable

Mar 17, 2026 | Donear Industries Limited | Other Textile Products

India Ratings and Research (Ind-Ra) has upgraded Donear Industries Limited's (DIL) bank loan facilities' rating to 'IND BBB+' from 'IND BBB' with a Stable Outlook, as follows.

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR3,660	IND BBB+/Stable/IND A2+	Upgraded

Analytical Approach

Ind-Ra continues to take a standalone view of DIL to arrive at the ratings.

Detailed Rationale of the Rating Action

The upgrade reflects the improvement in DIL's operating profitability margin in 9MFY26, surpassing Ind-Ra's expectations, and the likelihood of healthy EBITDA growth during 4QFY26 and FY27, resulting in improved credit metrics. The rating is further supported by the extensive experience of the promoters in the textile industry. However, the rating is constrained by the intense competition in the business, volatility in raw material prices, and shift in customer preferences.

List of Key Rating Drivers

Strengths:

- Established player in the Indian textile market
- Solar capex to improve margins from FY27
- Credit metrics likely to remain stable during FY26-FY27
- Experienced promoters

Weaknesses:

- Shift in preference towards garments
- Continued high utilisation of working capital limits
- Inherent industry risks

Detailed Description of Key Rating Drivers

Established Player in Indian Textile Market: DIL's established brands, Donear Suiting's, Mayur Suiting's and Shirting's, Eurico, and Vestito have a track record of over 20 years in the textile industry. Moreover, DILL has been dealing in fabrics and garments for many reputed brands on orders. The company is associated with reputed brands and continues to tie up with new brands. DIL's revenue increased by 14% yoy to INR9,136 million in FY25 on the back of income generated by a new segment, linen undersuiting, which contributed INR530 million to the company's revenue during the year. The B2C segment accounted for 34% of DIL's revenue in FY25, and the B2B segment accounted for 22%. DIL also runs approximately 450 stores under the franchise model under the brand name of D'cot. The company exports to over 20 countries spread across more than five continents. The fabric segment accounted for 59% of the revenue in FY25 and the garment segment constituted 21%; the share of these segments is likely to remain at similar levels in the near term.

Solar Capex To Improve Margins From FY27: DIL, which already has a 1MW solar plant, plans to install an additional solar capacity of 3.3MW within the next six months to reduce power and fuel costs, which accounted for 5.28% of the revenue in FY25. Consequently, Ind-Ra expects the EBITDA margins to improve from FY27. The capex of INR150 million will be funded via 75% debt and the balance 25% via internal accruals. The EBITDA margins declined to an average 9.26% in FY25 (FY24: 10.39%) on account of an increase in the cost of goods sold to 53.39% of the revenue (51.94%) due to higher purchases and closing stock positions. The ROCE stood at 12.3% (13.3%). In 9MFY26, DIL's EBITDA margin rose to 11.81%, led by a decline in the cost of goods sold to 50% of the revenue (FY25: 52%). Ind-Ra expects the margins to remain rangebound between 9%-11% during FY26-FY27 Polyester yarn is primarily made from petroleum-based chemicals, specifically purified terephthalic acid and mono ethylene glycol. The ongoing geo-political situation in Iran could impact polyester yarn prices in the long term if the situation is not resolved.

Credit Metrics Likely to Remain Stable during FY26-FY27: The credit metrics are likely to remain comfortable and improve on a yoy basis during FY26 and FY27, on the back of scheduled repayments and the gradual improvement in profitability. In FY25, the metrics remained comfortable but deteriorated slightly because of a decline in profitability and higher working capital borrowings. The gross interest coverage (operating EBITDA/gross interest expense) stood at 2.48x in FY25 (FY24: 2.57x). It is likely to exceed 2.5x during FY26-FY27. The net leverage (net debt/EBITDA) moderated to 4.58x in FY25 (FY24: 4.06x). Any further deterioration in the net leverage will remain a key monitorable.

Of the total debt of INR3,896.93 million as of March 2025, working capital debt comprised 87.2%, interest-free unsecured loans from the promoters accounted for 9.2%, and term loans constituted 3.5%.

Experienced Promoters: DIL is promoted by the Agarwal family, which has an operational track record of around six decades in the textile industry. Moreover, the promoters/directors have an established presence in the industry through other group companies.

Shift in Preference Towards Garments: The population in Tier-1 Indian cities (metros) has increasingly been showing a strong preference for readymade garments over buying fabric to be stitched by tailors. According to consumer behaviour reports, this shift is being driven by convenience, the desire for instant gratification, high fashion variety, and changing lifestyles.

Continued High Utilisation of Working Capital Limits: DIL's net working capital cycle remained elongated in FY25 but improved slightly to 318 days (FY24: 333 days) due to a fall in inventory days to 272 days (289 days). DIL's inventory holding period remained elongated due to the requirement of maintaining the minimum stock at the franchise outlets and dealer stores coupled with its wide variety of products. As a result, the working capital requirement of the company has remained high and is being met through working capital limits. The average maximum utilisation of the fund-based-working capital limits was 97.57% and that of the non-fund-based limits was 4.46% for 12 months ended February 2026. In February 2026, the sanctioned working capital limits were increased to INR3,500 million from INR3,300 million, providing necessary liquidity buffer in the near term. The limits are likely to be increased to INR3,800 million by end-FY26.

Inherent Industry Risks: DIL is exposed to volatility in raw material prices, along with cyclical nature of demand. Furthermore, the domestic textile industry is characterised by intense competition from the unorganised segment, which poses risk to the margins and supply chain. Any sustained change in the raw material price is passed on to its consumers, while intermittent price fluctuations are absorbed by the company, thus impacting its profitability with a time lag.

Liquidity

Adequate: DIL's average maximum utilisation of the fund-based working capital limits was 97.57% during the 12 months ended January 2026. The cash flow from operations turned negative at INR297.06 million in FY25 (FY24: INR428.20 million), due to an increase in working capital requirements and changes in other current assets and liabilities. Consequently, the free cash flow turned negative INR573.99 million in FY25 (FY24: INR211.1 million). Furthermore, DIL relies on capital markets, banks and financial institutions to meet its funding requirements. DIL has repayment obligations of INR87.2 million in FY26 and INR47.3 million in FY27.

Rating Sensitivities

Positive: Maintaining the scale of operations, along with an improvement in the liquidity profile and the credit metrics, with the interest coverage exceeding 3x, on a sustained basis, could lead to a positive rating action.

Negative: Deterioration in the scale of operations, liquidity profile, or credit metrics, with the interest coverage falling below 2.5x, on a sustained basis, could lead to a negative action.

Any Other Information

Not applicable

About the Company

Incorporated in 1987, DIL manufactures and markets synthetic, cotton and blended fabrics, mainly for suiting, shirting and trousers. The company operates through a network of wholesalers and franchisee outlets. It has three manufacturing facilities (one in Surat and two in Silvassa) and has 600 looms.

Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR million)	9,136.98	7,991.40
EBITDA (INR million)	846.53	830.30
EBITDA margin (%)	9.26	10.39
Gross interest coverage (x)	2.48	2.57
Net leverage (x)	4.58	4.06
Source: DIL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

<table>
<tr><th rowspan="2">Instrument Type</th><th colspan="3">Current Rating/Outlook</th><th colspan="4">Historical Rating/Outlook</th></tr>
<tr><th>Rating Type</th><th>Rated Limits (million)</th><th>Current Rating</th><th>20 December 2024</th><th>26 September 2023</th><th>22 September 2023</th><th>18 April 2023</th></tr>
<tr><td>Bank loan facilities</td><td>Long-term/Short-term</td><td>INR3,660.00</td><td>IND BBB+/Stable/IND A2+</td><td>IND BBB/Stable/ IND A3+</td><td>IND BBB/Stable/ IND A3+</td><td></td><td>IND BBB-/Positive/IND A3</td></tr>
<tr><td>Issuer Rating</td><td>Long-term</td><td>-</td><td></td><td></td><td></td><td>WD</td><td>IND BBB-/Positive</td></tr>
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Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Contact

Primary Analyst
Saloni Gothi
Analyst
India Ratings and Research Pvt Ltd
Harmony Square 3rd Floor, Door No. 48 & 50 Prakasam Street T Nagar Chennai - 600017
+91 44 43401726
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Shrravane V
Analyst
+91 44 43401728

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

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