

Divya Corporation: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit*	12.50	SMERA BB-/Stable (Assigned)
Proposed Long Term	2.00	SMERA BB-/Stable (Assigned)

**Interchangeability with EPC, FBP, and FBD*

SMERA has assigned long term rating of '**SMERA BB-'** (read as **SMERA double B minus**) on the Rs.14.50 crore bank facilities of Divya Corporation (DC). The outlook is '**Stable**'.

The rating is supported by the firm's established operations and experienced management. The rating also draws comfort from the well diversified geography and moderate financial risk profile marked by healthy leverage (debt-to-capital ratio) and coverage indicators. However, the rating is constrained by the exposure to agro-climatic risks leading to fluctuation in operating and net income. The rating also factors in the intense market competition.

The Gujarat-based Divya Corporation, established as a partnership firm in 1971 is engaged in the trading and processing of agro commodity products such as groundnuts, coriander seeds, cotton seeds among others. The firm benefits from its experienced management. The promoters have more than two decades of experience in the agro commodity industry.

The firm's financial risk profile is marked by healthy net worth of Rs.25.64 crore as on March 31, 2015 as compared with Rs.10.91 crore a year earlier. The total net worth of Rs.25.64 crore in FY2014-15 includes quasi equity of Rs.8.13 crore. The leverage (debt-to-capital ratio) stood at 0.43 times as on March 31, 2015 as compared to 0.71 times a year earlier and interest coverage ratio at 2.33 times in FY2014-15 (refers to financial year, April 01 to March 31) as compared to 1.96 times in FY2013-14. The operating income of the firm has declined to Rs.140.00 crore (Provisional) in FY2015-16 as compared to Rs.201.26 crore a year earlier.

Outlook-Stable

SMERA believes that DC will maintain a stable outlook owing to the management's extensive experience in the agro commodity business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure or deterioration of its financial risk profile.

Rating Sensitivity Factors

- Improvement in the financial risk profile
- Scaling up operations while managing profitability margins

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

Incorporated in 1971, the Gujarat-based Divya Corporation, a partnership firm is engaged in the trading and processing of agro commodity products such as groundnuts, coriander seeds, cotton seeds among others. It has an installed processing capacity of 365 mtpa.

For FY2015–16, DC reported operating income of Rs.140.00 crore (Provisional) as compared to Rs.201.26 crore in FY2014–15 with net profit of Rs.2.72 crore. The net worth stood at Rs.25.64 crore as on March 31, 2015, as compared with Rs.10.91 crore a year earlier. The total net worth of Rs.25.64 crore includes quasi equity of Rs.8.13 crore as on March 31, 2015.

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ABOUT SMERA

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