

Press Release

Divy Rollform Limited (DRL)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.9.28 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.9.28 crore bank facilities of Divy Rollform Limited (DRL). The outlook is '**Stable**'.

DRL, incorporated in 1998, is an Ahmedabad-based company engaged in the manufacturing of cold-rolled steel sections and profiles. The company was promoted by Mr. Hasmukh T. Shah, Mr. Navnitkumar T. Shah and Mr. Parth N. Shah who possess extensive experience in the steel industry.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations: The company commenced operations in the manufacturing of cold-rolled steel sections and profiles since 2001.

Experienced management: The promoters, Mr. Hasmukhbhai T. Shah, Mr. Navnitkumar T. Shah and Mr. Parth N. Shah collectively possess more than three decades of experience in the steel industry.

Weaknesses:

Small scale of operations: DRL has reported operating income of Rs 13.49 crore for FY2015-16 as compared to Rs.17.19 crore in the previous year. The decline in operating income is mainly on account of subdued demand from customers. Further, as informed by the management DRL reported operating income of Rs.7.86 crore (provisional) for the period during April, 2016 to October, 2016.

Stretched liquidity position: The gross current asset (GCA) days stood at 294 for FY2015-16 due to stretched inventory and receivables position. Further, the average cash credit limit utilisation stood at 91 per cent during the last six months ended 30 September, 2016.

Average financial risk profile: The financial risk profile is average marked by adjusted gearing of 1.64 times as on 31 March, 2016. For arriving at the gearing, unsecured loan from promoters of Rs.2.75 crore has been considered as quasi equity. Further, interest coverage stood at 1.63 times and debt service coverage ratio at 1.05 times for FY2015-16. The NCA/TD (Net cash accruals/Total Debt) has been weak at 0.06 times for FY2015-16.

Highly fragmented and cyclical steel industry: The ratings are constrained by the susceptibility of the company's revenues and profitability to inherent cyclicity in the steel industry and volatility in steel prices. Further, the company is also exposed to the intense competition in the industry.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of DRL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that DRL's outlook will remain 'Stable' over the medium on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue and profitability while managing its working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its liquidity profile or financial risk profile.

About the Rated Entity

DRL, incorporated in 1998 is an Ahmedabad-based company engaged in the manufacturing of cold-rolled steel sections and profiles. The company was promoted by Mr. Hasmukh T. Shah, Mr. Navnitkumar T. Shah and Mr. Parth N. Shah who possess extensive experience in the steel industry.

For FY2015-16, DRL registered profit after tax (PAT) of Rs.0.25 crore on revenue of Rs.13.49 crore, as compared with PAT of Rs.0.34 crore on revenue of Rs.17.19 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Credit Analysis and Research Limited, vide release dated January 02, 2015 has suspended the ratings of DRL on account of lack of adequate information required for monitoring of ratings.

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.75	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	1.29	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan (Proposed)	LT	1.04	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	2.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	1.20	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A.	3.75	SMERA B/Stable (Assigned)
Term Loan	N.A	N.A	N.A.	1.29	SMERA B/Stable (Assigned)
Term Loan (Proposed)	N.A	N.A	N.A.	1.04	SMERA B/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A.	2.00	SMERA A4 (Assigned)
Bank Guarantee	N.A	N.A	N.A.	1.20	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Ms. Shashikala Hegde, Rating Analyst, Tel: 022-67141111 Email: shashikala.hegde@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.