

Press Release

Divy Rollform Limited (DRL)

08 March, 2018



Rating Reaffirmed

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

**Refer annexure for details*

SMERA has reaffirmed the 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. 7.01 cr. bank facilities of DivyRollform Limited (DRL). The outlook is '**Stable**'.

DRL, incorporated in 1998, is an Ahmedabad-based company promoted by Mr.Hasmukh T Shah, Mr.Navnit T. Shah and Mr.ParthNavnitkumar Shah. DRL is engaged in manufacturing of cold-rolled steel sections and profiles. The company has an installed capacity of 6000 MTPA.

Key rating drivers

Strengths

Experienced Management and established track record of operations: DRL was incorporated in by Mr.Hasmukh T Shah, Mr.Navnit T. Shah and Mr.ParthNavnitkumar Shah in 1998. The company commenced operations in the manufacturing of cold-rolled steel sections and profiles since 2001. The promoters have more than three decades experience in the industry. This experience has helped the company to develop established relations with its suppliers and customers

Weaknesses

Working Capital Intensive Operations: The working capital operations of DRL are intensive marked by high GCA days of 359 in FY2017. The GCA days are mainly dominated by high inventory days of 179 in FY 2017 as against 142 in FY 2016. Further Debtors days stood at 107 in FY 2017 as against 101 in FY 2016.

Highly fragmented and cyclical industry: DRL is engaged in the fabrication of cold rolled and manufacturing of stainless steel products. The company is into highly fragmented and competitive industry dominated by many unorganized players. Further, the industry is highly cyclical and generally follows economic and industrial conditions both worldwide and in regional markets.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of DRL to arrive at the rating.

Outlook - Stable

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.10	13.57	17.19
EBITDA	Rs. Cr.	2.42	2.00	1.84
PAT	Rs. Cr.	0.02	0.17	0.34
EBITDA Margin	(%)	17.16	14.73	10.69
PAT Margin	(%)	0.17	1.26	1.96
ROCE	(%)	8.29	8.09	9.86
Total Debt/Tangible Net Worth	Times	1.27	1.64	1.23
PBDIT/Interest	Times	1.54	1.63	1.64
Total Debt/PBDIT	Times	4.60	6.16	4.89
Gross Current Assets (Days)	Days	359	359	210

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
1 st Feb, 2017	Cash Credit	Long Term	3.75	SMERA B / Stable (Assigned)
	Term Loan	Long Term	1.29	SMERA B / Stable (Assigned)
	Proposed Long Term Loan	Long Term	1.04	SMERA B / Stable (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	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	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.98	SMERA B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.28	SMERA B / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	2.27	SMERA A4 (Assigned)

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ABOUT SMERA

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