

Press Release

Divy Rollform Limited

June 03, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.28 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE 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 promoted by Mr. Hasmukh T Shah, Mr. Navnit T. Shah and Mr. Parth Navnit kumar Shah. DRL is engaged in manufacturing of cold rolled steel sections and profiles. The company has an installed capacity of 6000 MTPA.

Analytical Approach

Acuite has considered standalone business and financial risk profile of DRL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

DRL was incorporated in the year 1998 to manufacture high quality cold-roll form sections & profiles. The company is managed by Mr. Hasmukhbhai T. Shah, Mr. Navnitkumar T. Shah and Mr. Parth Navnitkumar Shah; having experience of around three decades in manufacturing of cold rolled section and profiles business.

Weaknesses

Modest scale of operations with volatile profitability margins

The operating income of the company is Rs. 18.61 crore as on March 31, 2019 (Provisional) as against Rs. 16.16 crore as on March 31, 2018. The profitability margin of the company has been declined to 11.96 percent for FY 2019 (Provisional) as against Rs. 17.16 crore for FY 2017.

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.

Liquidity Position:

The liquidity position is stretched with low net cash accruals vis-a-vis its debt repayment obligation. The working capital operations of DRL are intensive marked by high GCA days of 222 in FY2019 (Provisional). The GCA days are mainly dominated by high inventory days of 166 in FY 2019 (Provisional). The current ratio stood at 0.89 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuité believes DRL's outlook will remain 'Stable' over the medium on account of 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	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	18.61	16.16	14.10
EBITDA	Rs. Cr.	2.23	1.82	2.42
PAT	Rs. Cr.	0.09	0.05	0.02
EBITDA Margin	(%)	11.96	11.29	17.16
PAT Margin	(%)	0.50	0.30	0.17
ROCE	(%)	8.07	6.50	8.29
Total Debt/Tangible Net Worth	Times	2.64	2.70	3.11
PBDIT/Interest	Times	1.59	1.49	1.54
Total Debt/PBDIT	Times	5.91	7.15	6.21
Gross Current Assets (Days)	Days	222	303	359

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

None

Any other information

"Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups".

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-March-2018	Cash Credit	Long Term	3.75	ACUITE B (Reaffirmed)
	Term Loan	Long Term	0.98	ACUITE B (Reaffirmed)
	Term Loan	Long Term	0.28	ACUITE B (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.27	ACUITE B (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
01-Feb- 2017	Cash Credit	Long Term	3.75	ACUITE B (Assigned)
	Term Loan	Long Term	1.29	ACUITE B (Assigned)
	Proposed Long Term Loan	Long Term	1.04	ACUITE B (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.20	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.28	ACUITE B / Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.27	ACUITE B / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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