Press Release

07 June, 2017

Divine Solutions Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 20.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-' (read as SMERA BB minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 20.00 crore bank facilities of Divine Solutions Private Limited. The outlook is **'Stable'**.

Divine Solutions Private Limited (DSPL) was incorporated in 2006 by Mr. Deept Sarup Agarwal and Mr. Priyanshu Agarwal. The Delhi-based company is engaged in the trading of sanitary ware, bathroom fittings and fixtures.

Key Rating Drivers

Strengths

• Established relationship with marquee brands
DSPL caters to reputed brands such as 'Bravat', 'Eagle' among others. The company also imports goods from Italy and Germany, apart from dealing in domestic brands. The operating metrics are expected to remain susceptible to performance of the key brands in its product portfolio. The rating is expected to be supported by the well-established market position of brands and their brand equity in the domestic and international markets.

• Comfortable financial risk profile
The company has maintained comfortable financial risk profile marked by conservative leverage indicators and moderate debt protection matrics. The debt-to-equity ratio stands at 0.75 times as on 31 March, 2017 (Provisional) as against 0.65 times as on 31 March, 2016. DSPL's leverage indicators have remained comfortable mainly on account of the timely infusion of capital by promoters - aggregating Rs. 1.01 crore in FY2017 (Provisional) and Rs. 6.29 crore in FY2016. Consequently, the company reported comfortable Total Outside Liabilities to Tangible Networth Ratio of 2.52 times as on 31 March, 2017 (Provisional) vis-à-vis 1.56 times in the previous year. On the back of its conservative leverage, DSPL reported improvement in its interest coverage ratio of 1.52 times in FY2017 (Provisional) as against 1.17 times in FY2016. SMERA believes that higher than expected increase in its total debt levels or profitability pressures faced by the company may result in shortfalls between operating cash flows of DSPL and its outside liabilities over the medium term. DSPL's ability to maintain a conservative capital structure shall be a key rating sensitivity factor.

Weaknesses

• Foreign exchange fluctuation risk
The profitability margins are susceptible to foreign exchange fluctuation risk as the company is also into import of sanitary ware and related products from companies based out of Germany and China.

• Working capital intensive operations
The company has working capital intensive operations marked by GCA days of 185 in FY2016-17 (Provisional) as compared to 337 days in FY2015-16. The GCA days of 185 in FY2016-17 (Provisional) is evident from the inventory days of 106 as compared to 285 in FY2015-16. Further, the debtor days stood at 35 days in FY2016-17 (Provisional) compared to 55 days in FY2016. The company needs to maintain high inventory to better serve the customer requirement on regular basis. SMERA also notes that the average cash credit utilisation stood at 91.45 percent from April 2016 to March 2017.

• Limited track record of operations
DSPL commenced operations from October 2015. The scale of operations is modest with total operating income of Rs.52.31 crore and PAT of Rs.0.42 crore during FY2017 (Provisional) (refers to the period April 1 to March 31) as compared to total operating income of Rs.6.85 crore and PAT of Rs.0.05 crore in FY2016. Going forward, sustainable increase in its scale of operations while maintaining working capital cycle and profitability profile will be the key credit monitorable factors.

Analytical Approach
SMERA has considered the standalone financial and business risk profiles of the company.

Outlook: Stable
SMERA believes that DSPL will maintain a stable outlook over the medium term owing to its comfortable financial risk profile. The outlook may be revised to 'Positive' if the company reports increased operating revenues and profitability thus leading to better accruals. Conversely, the outlook may be revised to 'Negative' if the company registers fall in working capital cycle, revenue and cash accruals, leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials
In FY2016-17, the company registered Profit after Tax (PAT) of Rs.0.42 crore on operating income of Rs.52.31 crore (Provisional) compared to PAT of Rs.0.05 crore on operating income of Rs. 6.85 crore a year earlier. The networth stood at Rs.7.87 crore (includes quasi equity of Rs. 2.40 crore) in FY2016-17 (Provisional) as against Rs.6.43 crore (includes quasi equity of Rs. 2.81 crore) a year earlier.

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria
• Default Recognition - https://www.smera.in/criteria-default.htm
• Trading Entities - https://www.smera.in/criteria-trading.htm
• Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

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

Rating History (Upto last three years)

Not Applicable

*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	6.00	SMERA BB-/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4+

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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 visitwww.smera.in.