



## Press Release

### DIVINE SOLUTIONS PRIVATE LIMITED

October 12, 2018

### Rating Reaffirmed

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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 20.00 crore bank facilities of DIVINE SOLUTIONS PRIVATE LIMITED (DSPL). The outlook is '**Stable**'.

The Delhi based, DSPL was incorporated in 2006 by Mr. Deept Sarup Agarwal and Mr. Priyanshu Agarwal. The operations of the company started in 2015. It is engaged in the trading of sanitary ware, bathroom fittings and fixtures.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of DSPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established relationship with brands**

DSPL caters to reputed brands such as 'Bravat', 'Eagle' among others. The company also imports goods from Italy and Germany apart from dealing with domestic brands. The rating is expected to be supported by the well-established market position of the brands and their established brand equity in the domestic and international market.

- **Average financial risk profile**

DSPL has average financial risk profile marked by tangible net worth of Rs.5.74 crore as on 31 March, 2018 (Provisional) as against Rs.5.23 crore as on 31 March 2017. The gearing stood at 1.06 times as on 31 March, 2018 (Provisional) as against 1.64 times as on 31 March, 2017. The debt of Rs.6.08 crore mainly consists of unsecured loans from promoters of Rs.1.92 crore and working capital borrowings of Rs.4.16 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 1.58 times in FY2018 (Provisional) as against 1.21 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.57 times as on 31 March, 2018 (Provisional) as against 4.24 times as on 31 March, 2017.

#### Weaknesses

- **Limited track record of operations**

DSPL commenced operations from October 2015 and hence has limited track record of operations. The scale of operations is modest with total operating income of Rs.65.89 crore and PAT of Rs.0.50 crore in FY2018 (Provisional) as against operating income of Rs.52.31 crore and PAT of Rs.0.18 crore in FY2017. Going forward, a sustainable increase in its scale of operation while maintaining working capital cycle and profitability profile will be key sensitivity factors.

• **Foreign exchange fluctuation risk**

The profitability margins are susceptible to foreign exchange fluctuation risk as the company imports sanitary ware and related products from companies based in Germany and Italy.

• **Highly competitive and fragmented nature of industry**

The company is exposed to intense competition in a highly competitive and fragmented industry, thus restricting its bargaining power and pricing flexibility.

**Outlook: Stable**

Acuite believes that DSPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	65.89	52.31	6.85
EBITDA	Rs. Cr.	1.73	1.41	0.44
PAT	Rs. Cr.	0.50	0.18	0.05
EBITDA Margin	(%)	2.62	2.69	6.41
PAT Margin	(%)	0.76	0.35	0.74
ROCE	(%)	14.34	12.31	8.78
Total Debt/Tangible Net Worth	Times	1.06	1.64	1.93
PBDIT/Interest	Times	1.58	1.21	1.25
Total Debt/PBDIT	Times	3.31	5.70	14.87
Gross Current Assets (Days)	Days	133	176	809

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

None

**Any other information**

Acuite 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/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
29-Aug-2018	Cash Credit	Long Term	6.00	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (Indicative)
07-Jun-2017	Cash Credit	Long Term	6.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	14.00	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	6.00	ACUITE BB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4+ (Reaffirmed)

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### About Acuité Ratings & Research:

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