

## Press Release

### Dion Global Solutions Limited

31 July, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.200.00 Cr
<b>Long Term Rating</b>	SMERA BB-/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A4 (Assigned)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-'** (read as **SMERA double B minus**) and a short term rating of '**SMERA A4'** (read as **SMERA A four**) to the Rs. 200.00 crore bank facilities of Dion Global Solutions Limited (DGSL). The outlook is '**Stable**'.

Dion Global Solutions Limited (DGSL) was incorporated in 1994 as Fortis Financial Services limited (FFSL) by the Late Dr. Parvinder Singh (former Chairman and Managing Director of Ranbaxy Laboratories Limited). The Delhi-based company provides solutions to banks and other financial institutions.

DGSL has its subsidiaries and offices across UK, Hong Kong, Malaysia, Germany, Australia, Singapore and other geographies.

**Analytical approach:** SMERA has taken a consolidated view of the business and financial risk profile of DGSL and its subsidiaries, together referred to as the Dion Group (DG).

### List of Key Rating Drivers and their detailed description

#### Strengths:

**Support from promoter and promoter held companies:** The ratings draw comfort from the continued support from RHC Holdings Private Limited (RHC). RHC and its related parties hold approximately 59.62 percent of the total shares of DGSL as on 31 March, 2017. RHC is a Non-Banking Finance Company (NBFC), promoted by Mr. Malvinder Singh and Mr. Shivinder Singh with substantial holding in Religare Enterprises, SRL Diagnostics, Fortis Healthcare among others.

SMERA believes that DG will continue to receive ongoing support from RHC, as evident from the past. During FY2016-17, RHC infused Rs.92.39 crore to support the financial risk profile of DG. Going forward, SMERA expects DG to refinance its debt obligations from both, financial institutions and capital markets on account of the stated posture of support from RHC in the form of corporate guarantees for their various credit facilities.

RHC's credit risk profile is supported by its well established scale of operations coupled with significant holding in key listed entities. RHC also benefits from its ability to mobilise resources from both, the capital market and by leveraging its longstanding relationship with financial institutions. RHC's cashflows are however, expected to remain contingent on its ability to monetise its assets and refinance its short term debt in a timely manner.

On account of its strategic importance to its promoter group, SMERA expects DG to continue to receive financial, business and managerial support from its promoter group. Timely support from RHC shall continue to remain a key credit monitorable.

**Management overhaul and cost reduction initiatives:** DG has recently undertaken a management overhaul and has appointed new key management personnel. The newly appointed management includes Mr. Michel Borst, the CEO, who has over two decades of experience in fintech. The new management has re-engineered several business processes and restructured its human resource base in an effort to create an efficient cost structure. SMERA believes that the new management's ability to reduce operating expenses and leverage DG's market position will remain instrumental in improving the group's profitability metrics.

**Longstanding relationship with marquee clients:** The ratings also derive comfort from DG's marquee clients and longstanding relationship with them. The company's clientele includes leading financial institutions across the world. Its ability to integrate and cross-sell products to its existing clients is expected to be a significant growth driver over the medium term. Longstanding relationships with clients coupled with its ability to integrate and cross-sell products will be crucial to maintaining healthy revenue growth over the near to medium term.

#### **Weaknesses:**

**Weak financial risk profile:** DG reported net losses of Rs.45.78 crore in FY2016-17 (net loss of Rs.86.68 crore in FY2015-16) on revenue of Rs.258.48 crore (Rs.258.02 crore in FY2015-16) primarily on account of high debt servicing commitments of the company. The company remained dependent on timely infusion of funds by RHC to service its debt obligations in a timely manner.

The group reported improvement in operating margin in FY2016-17 registering operating profit of Rs.5.64 crore for the year ended 31 March, 2017. SMERA expects profitability margins to improve over the medium term on account of cost reduction initiatives undertaken by the newly appointed management of DG. SMERA believes that DG's ability to sustain improvement in margins and demonstrate growth in revenue by leveraging its longstanding relationships with its clients will be critical to improving its financial risk profile

However, SMERA expects its profitability metrics to improve substantially over the near term on account of several lean management practices undertaken by the company. Its ability to improve operating efficiency shall remain a key credit monitorable.

**Exposure to customer concentration risk:** In FY2016-17, 53 per cent of the total operating revenues have been from the top 20 customers while 36 per cent revenue was generated from the top 10 customers. The operating cashflows shall be adversely affected in case of significant customer losses or reduced inflow of orders from existing customers.

#### **Outlook: Stable**

SMERA believes that DG will maintain a stable financial risk profile on account its healthy resource mobilisation ability, experienced management and well established market position. The outlook may be revised to 'Positive' in case of significant and sustained improvement in profitability coupled with increase in scale of operations. The outlook may be revised to 'Negative' in case of delay in receiving support from RHC and/or persistent decline in operating income of the group.

**About the rated entity – Key Financials**

For FY2016-17, DG reported net loss of Rs.45.78 crore on operating income of Rs.258.48 crore compared with net loss of Rs.86.68 crore on operating income of Rs.258.02 crore in FY2015-16.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** The International Court of Arbitration, Singapore has recently awarded damages of Rs. 3500 crore to Daiichi Sankyo in the proceedings over the sale of Ranbaxy Laboratories Limited (RLL) by RHC and others. RHC has contested the award in the Indian Courts and the matter is subjudice. Any adverse outcome will have a significant impact on the credit profile of RHC and potentially its ability to support its group companies. The credit profile of RHC and changes in the same shall be key monitorable. SMERA also takes note of uncertainty regarding RHC's decision regarding continuing in the NBFC sector.

**Applicable Criteria**

- Service Entities - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Consolidation - <https://www.smera.in/criteria-consolidation.htm>

**Note on complexity levels of the rated instrument:**

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

**Rating History for the 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. Crore)	Ratings/ Outlook
Term Loan I	N.A	N.A	N.A	6.25	SMERA BB-/Stable (Assigned)
Term Loan II	N.A	N.A	N.A	16.67	SMERA BB-/Stable (Assigned)
Working Capital Demand Loan*	N.A	N.A	N.A	35.00	SMERA BB-/Stable (Assigned)
Standby Letter of Credit	N.A	N.A	N.A	130.00	SMERA A4 (Assigned)
Proposed Letter of Credit	N.A	N.A	N.A	12.08	SMERA A4 (Assigned)

*\*Sub-limit of Rs. 2.00 crore in the form of Overdraft Facility*

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**ABOUT SMERA**

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