Press Release

Diwakar Enterprise Private Limited

07 May, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00
Long Term Rating	SMERA BB+ / Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer annexure for details*

SMERA has assigned the long term rating of **'SMERA BB+' (read as SMERA double B plus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.15.00 crore bank facilities of Diwakar Enterprises Private Limited (DEPL). The outlook is **'Stable'**.

Delhi based Diwakar Enterprise Private Limited (DEPL) was incorporated in the year 1994 by Mr. Rajiv Sahaya, Mr. Abhinav Sahaya and Mrs. Amita Shaya. The company manufacturing Lead and Lead alloys, Red Lead Oxide, Lead sub oxide through recycling lead scrap arising out of used lead in batteries, sheathing etc. The Unit has a capacity of about 28,000 ton per annum.

Key rating drivers

Strengths

Long track record and experienced management

DPL is a Delhi based company engaged in manufacturing lead & lead products. The company was incorporated by Mr. Rajiv Nandan Sahaya, Mr. Abhinav Sahaya and Mrs. Amita Sahaya. The Directors possesses more than two decades of experience in the said industry

SMERA believes that DEPL will continue to benefit from its experienced management and established relations with its customers and suppliers.

Moderate financial risk profile

The financial risk profile of DEPL is moderate marked by net worth of Rs.6.90 crore as on March 31, 2017 as against Rs.6.15 crore as on March 31, 2016. Gearing (Debt-Equity) stood at 1.76 times as on March 31, 2017 as against 1.37 times as on March 31, 2016. The total debt as on March 31, 2017 comprises of unsecured loan of Rs.3.88 crore and working capital facility of Rs.8.25 crore. Interest coverage ratio (ICR) stood at 2.94 times for FY2016-17 as compared to 0.51 times for FY2015-16. Total outside liabilities to Tangible net worth (TOL/TNW) stood at 2.33 times as on March 31, 2017.

SMERA believes the financial risk profile of the company will remain moderate in medium term in absence of any major debt funded capex and moderate net cash accruals.

Efficient working capital management

The working capital cycle of DEPL improved during the period under study evident from the working capital cycle days of 32 in FY2017 as against 50 in FY2016. The working capital cycle improved majorly on account of decrease in inventory holding period to 15 days in FY2017 as from 22 days in FY2016 and debtor days to 27 days in FY2017 as against 36 days in FY2016. The GCA days improved to 58 days in FY2017 as against 73 days in FY2016. The bank limit utilisation stood at ~50 per cent for the last six months ended March 2018.

Weaknesses

Customer concentration risk

DEPL is exposed to customer concentration risk as around 78 percent of its total sales for FY2017, has been derived from two customers - Luminous Power Technologies Private Limited and Livguard Batteries Private Limited.

Uneven revenues and profitability margins

The revenues of DEPL declined to Rs.65.89 crore in FY2016 from Rs.92.53 crore in the previous year. Further, in FY2017 the revenues stood at Rs.113.02 crore.

The profitability margins of DEPL have been uneven during the period under study. The EBITDA margins stood at 1.66 per cent in FY2017 as against 0.37 per cent in FY2016. DEPL incurred net loss of Rs.0.55 crore in FY2015-16 due to cancelation of export orders. Further, PAT margins stood at 0.71 percent in FY2017.

Profitability is susceptible to volatility in lead prices

The margins of the company are susceptible to volatility in lead prices. Significant changes in raw material prices due to import pressure would have an impact on the margins of the company. Slowdown in demand and threat of cheaper imports is leading to piling up of inventory with companies operating at low margins.

Analytical approach:

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

Outlook – Stable

SMERA believes that the company will continue to maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case the company registers healthy revenues and sustains profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue, profit margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	113.02	65.89	92.53
EBITDA	Rs. Cr.	1.87	0.24	1.23
PAT	Rs. Cr.	0.80	(0.55)	0.25
EBITDA Margin	(%)	1.66	0.37	1.33
PAT Margin	(%)	0.71	(0.83)	0.27
ROCE	(%)	9.92	1.20	12.96
Total Debt/Tangible Net Worth	Times	1.76	1.37	1.65
PBDIT/Interest	Times	2.94	0.51	1.68
Total Debt/PBDIT	Times	6.34	16.92	8.14
Gross Current Assets (Days)	Days	58	73	67

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.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

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB+ / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+ (Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury, President – Ratings Operations Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in Kashish Shah, Rating Analyst, Tel: +91-22-6714 1152 Email: kashish.shah@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

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 visit www.smera.in.