



SMERA RATINGS LIMITED

Divya Global Private Limited (DGPL)**Rating
Rationale****December 05, 2013**

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit	8.83	SMERA A4 (Assigned)
Foreign Bill Purchase/ Bill Discounting	2.00	SMERA A4 (Assigned)
Bank Guarantee	0.02	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A Four**) to the Rs.10.85 crore short-term bank facilities of Divya Global Private Limited (DGPL). The rating is constrained by the company's small scale of operations, working capital-intensive business and low profitability. The rating is further constrained by the company's exposure to raw material price volatility, competitive environment and customer concentration risk. The rating also factors in the company's delays in depositing statutory dues. However, the rating derives comfort from the company's long track record of operations and experienced management.

DGPL is engaged in manufacturing and export of home textiles since 1991. The company's revenues declined substantially from Rs.56.07 crore in FY2006-07 (refers to financial year, April 01 to March 31) to Rs.18.70 crore in FY2009-10 on account of loss of key customers in Europe. DGPL is exposed to customer concentration risk as the company's top five customers account for 54 per cent and 41 per cent of the total sales in FY2011-12 and FY2012-13 respectively. The company has maintained revenues the range of Rs.23.00 crore to Rs.27.00 crore over the past three years.

DGPL's exports declined from 90.58 per cent of total sales in FY2011-12 to 54 per cent of total sales in FY2012-13 due to subdued macroeconomic environment in Europe. Subsequently, the management shifted its focus to the domestic market. However, the management expects higher export sales from FY2013-14 onwards due to the expected revival in the European markets. DGPL acquired five new customers in Europe during FY2013-14 and the company expects revenues of ~Rs.15.00 crore annually from these customers after two years. The company is likely to benefit from the recent depreciation of the Rupee.

DGPL reported moderate operating profit margin of 5.49 per cent in FY2012-13. The company's net profit margin of 1.00 per cent (in FY2012-13) is compressed by competitive market conditions and high interest cost. Moreover, the company's net profit (over the last three years) is largely supported by non-operating income.

DGPL operates at a high leverage of 4.63 times as on March 31, 2013. The company's total debt of Rs.23.17 crore (as on March 31, 2013) includes unsecured loans of Rs.13.79 crore from promoters. DGPL has provided advances worth Rs.5.99 crore to its subsidiary — Mayank Processors Private Limited. Further, DGPL has also invested Rs.7.60 crore in its subsidiary and associate entities. The company has a stretched working capital cycle of 146 days due to an extended inventory holding

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

period of 158 days in FY2012–13. DGPL maintains raw material stock for all booked orders. The company's average utilisation of working capital limit is high at 93 per cent during February 2013 to July 2013. DGPL has delayed depositing statutory dues (TDS) during the period under study.

DGPL is headed by Mr. Sunil Kumar N. Siraslewala and his son Mr. Divya Kumar S. Siraslewala. Mr. Sunil Kumar N. Siraslewala has over three decades of experience in the home textile industry while Mr. Divya Kumar S. Siraslewala has around eight years of experience in the company's line of business.

Rating Sensitivity Factors

- Improvement in scale of operations and profitability
- Clientele and geographical diversification
- Efficient working capital management
- Statutory compliance

About the company

DGPL was established as a partnership firm (named Divya Textiles) in 1991 by Mr. Sunil Kumar Siraslewala and Mr. Sitaram Siraslewala. In 2005, the firm was converted to a private limited company named Divya Global Private Limited. At present, the company's management team is headed by Mr. Sunil Kumar N. Siraslewala and Mr. Divya Kumar S. Siraslewala (son of Mr. Sunil Kumar N. Siraslewala).

DGPL is engaged in manufacturing and export of home furnishing textiles. The company's administrative office is located in Lower Parel, Mumbai. DGPL has three stitching facilities — including one in Ahmedabad, Gujarat and two in Bhiwandi, Maharashtra with a total installed stitching capacity of 4,000 units per month. The company outsources processing of grey fabric to its subsidiary — Mayank Processors Private Limited.

For FY2012–13, DGPL reported PAT of Rs.0.26 crore on operating income of Rs.25.94 crore as compared with PAT of Rs.0.24 crore on operating income of Rs.23.18 crore for FY 2011–12. As per sales tax returns, DGPL registered sales of Rs.15.54 crore during April 2013 to September 2013. The company's net worth stands at Rs.5.01 crore as on March 31, 2013 as compared with Rs.4.70 crore a year earlier.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Divya Global Private Limited (DGPL)

Rating
Rationale

Contact List:

Media/ Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head, Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head, Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.