



Devisons Infiniti Houseware Private Limited (DIHPL)

January 20, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.75	SMERA B/Stable (Assigned)
Term Loan	0.09	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the above-mentioned bank facilities of Devisons Infiniti Houseware Private Limited (DIHPL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial risk profile and working capital-intensive operations. The rating is also constrained by the company's exposure to raw material price volatility, customer concentration risk and intense competition prevalent in the houseware industry. However, the rating is supported by the company's experienced management, strong revenue growth and established association with reputed customers.

DIHPL, incorporated in 2008, is a Delhi-based company engaged in manufacturing and trading of stainless steel houseware and bathroom accessories. DIHPL has a weak financial risk profile marked by a low net worth of Rs.2.02 crore and high total outside liabilities-to-tangible net worth ratio of 5.49 times (excluding interest-free loans from relatives) as on March 31, 2013. Moreover, the company's interest coverage ratio is modest at 1.52 times in FY2012-13 (refers to financial year, April 01 to March 31). DIHPL's operating profit margin is low at 2.84 per cent in FY2012-13. The company's operations are working capital-intensive as reflected in high gross current assets period of 143 days and stretched inventory holding period of 122 days in FY2012-13. DIHPL is also exposed to customer concentration risk with top two customers accounting for more than 50 per cent of the company's net sales over the past two years. DIHPL faces intense competition from several players in the unorganized sector of the stainless steel industry.

DIHPL benefits from its experienced management. Mr. Umesh Salwan, Promoter and Director of DIHPL, has around 34 years of experience in the business of manufacturing stainless steel houseware. DIHPL's revenues increased at a compound annual growth rate (CAGR) of 115.47 per cent during the past five years. The company reported revenues of Rs.30.28 crore in FY2012-13, as compared with revenues of Rs.12.45 crore a year earlier. DIHPL caters to reputed manufacturers of electrical home appliances.

Outlook: Stable

SMERA believes the outlook on DIHPL's rated facilities will remain stable over the medium term on the back of experienced management and established association with reputed customers. The outlook may be revised to 'Positive' in case the company scales up its operations while achieving better profit margins and improvement in the overall leverage. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profit margins or in case of

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SMERA RATINGS LIMITED

Devisons Infiniti Houseware Private Limited (DIHPL)

*Rating
Rationale*

deterioration in the company's overall leverage on account of higher-than-expected increase in working capital loans.

About the company

DIHPL, incorporated in 2008, is a Delhi-based company engaged in trading and manufacturing of stainless steel houseware and bathroom accessories, including dust bins and garbage management systems. DIHPL mainly caters to hospitals, hotels and airports. The overall operations of the company are managed by Mr. Umesh Salwan.

For FY2012-13, DIHPL registered operating income of Rs.30.28 crore and PAT of Rs.0.10 crore, as compared with operating income of Rs.12.45 crore and a PAT of Rs.0.04 crore for FY2011-12. The company's net worth stood at Rs.2.02 crore as on March 31, 2013, as compared with Rs.1.92 crore a year earlier.

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