Deevyashakti India Private Limited (DIPL)

(Formerly known as Deevya Shakti Paper Mills Private Limited)

January 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	57.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR A-/ Negative (IVR Single A Minus with Negative Outlook)	Downgraded and outlook revised	Simple
Short Term Facilities	3.42	IVR A2 (IVR A Two)	IVR A2+ (IVR A Two Plus)	Downgraded	Simple
Total	60.42 **(INR Sixty-Crore and Forty-Two Lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings downgraded the ratings assigned to the Bank facilities of Deevyashakti India Private Limited (DIPL) on account of continuous decline in revenues YoY, issuer project risk, deteriorating overall financial profile and market sentiments.

The outlook revision to stable continue to factor in the experience of the promoters, established distribution network, comfortable capital structure and debt protection metrics.

Infomerics also takes note of the expected operational synergies due to the ongoing capex, the timely execution of which remains a key monitorable.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in total operating income along with sustained improvement in profitability metrics with EBITDA margin above 12% and,
- Sustained improvement in the operating cycle below 30 days leading to further improvement in liquidity.

Downward Factors

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company and / or
- Any cost & time overrun in planned capex leading to TOL/TNW deteriorating above 1x on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

Deevyashakti India Private Limited (Formerly known as Deevya Shakti Paper Mills Private Limited) was promoted by (late) Mr. Mohanlal Agarwal and his family, in 2009. Mr. Mohanlal Agrawal had been in the paper industry for over three decades. Mr. Ravindra, Mr. Sushil and Mr. Anil are the second-generation entrepreneurs who actively participate in managing the operations of the company. The family also has interests in manufacturing of plywood, laminates, Kraft paper and MDF board.

Established distribution network

The marketing operation of the company is carried out through dealer network both in India as well as abroad. DIPL has a network of around 30 dealers. The company exports duplex boards to UAE, Bangladesh, Nepal, Saudi Arabia, Nigeria, Kenya, Sri Lanka, Philippines, Vietnam, Qatar etc. thorough its dealer network

Comfortable capital structure and debt protection metrics

Overall Gearing ratio stood comfortable at 0.16x as on March 31, 2024 (0.03x as on March 31, 2023) due to negligible total debt against the tangible net worth of the company. Tangible Net worth of the company stood at Rs 164.82 Cr as on March 31, 2024 (Rs.197.22 crore as on March 31, 2023), a reduction of Rs 41.94 Cr due to demerger of realty business. TOL/TNW also stood comfortable at 0.38x as on March 31, 2024 (0.22x as on March 31, 2023). The interest coverage ratio also stood comfortable at 14.49x in FY24[Refers to period April 1st, 2023, to March 31st, 2024]. However, Informerics expects the debt protection metrics to moderate in the medium term, due to the planned capex for the expansion project.

Key Rating Weaknesses

Declining Scale of operations

DIPL's total operating income declined by 20.85% in FY24 to Rs.351.33 crore from Rs. 443.86 crore in FY23 [Refers to period April 1st, 2022, to March 31st, 2023] mainly due to reduced average realization.

Moderate profitability margins

EBITDA margin though improved to 5.44% in FY24 from 4.55% in FY23 it is still deteriorated from 10.50% in FY22, due to increase in cost of production led by increase in raw material costs. PAT margin is maintained at 3.00% in FY24 in line with 3.03% in FY23.

Ongoing Capex and the associated risk

DIPL is planning a capacity expansion from 90,000 MTPA to 148,000 MTPA. Further to this, it is setting up a 5 MW Solar power plant and a 6 MW boiler house plant to reduce power cost. The company is planning a capex of Rs 138.0 Cr in FY 25 and FY26 which is proposed to be funded through internal accruals of Rs 41.55 Cr and term loans of Rs 96.95 Cr. Successful execution and implementation of the planned capex by FY26 would benefit DIPL in improving the scale of operations and overall financial profile. However, the execution and completion of the planned capex remains a key monitorable as the company remains exposed to time and cost overrun risks.

Susceptibility of margins to volatility in prices of raw material

The operations of the company are raw material intensive as reflected by 80%-90% contribution to total cost of sales. The prices of the wastepaper in the domestic and international markets have witnessed a volatile trend over the years and therefore, the profitability of the industry players is susceptible to such volatility.

Low entry barriers with high competition from organized and unorganized players

The paper and packaging industry is intensely competitive with numerous unorganised players due to low entry barriers and limited product differentiation, leading to limited pricing power. The highly fragmented and competitive nature of the industry may impact the profitability of the players.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity –Adequate

DIPL's liquidity is adequate with current ratio of 2.59x as on March 31, 2024. Gross Cash Accruals (GCA) of the company stood at Rs.17.02 crore in FY24. DIPL has no long-term debt repayment obligations as on March 31, 2024. The average limit utilisation of the fund-based facilities of DIPL for the last 12 months ended Nov 2024 is ~45%, indicating a moderate utilisation of the facilities. Operating cycle stood moderately elongated at 78 days in FY24. Average creditors day stood at 14 days while average collection period stood at 37 days in FY24. The company has Rs 5.00 Cr of investment in Mutual Fund, Rs 1.19 Cr of investment in Employee Gratuity Trust, Fixed Deposit of Rs 2.96 Cr, Cash and Bank balance of Rs.0.81 Cr as on March 31, 2024 which provides additional cushion to the liquidity.

About the Company

Earlier known as Deevya Shakti Paper Mills Private Limited, DIPL was promoted by Mr. Mohanlal Agarwal and his family in 2009. The name of the company was changed w.e.f. August 3, 2021. The company mainly produces coated and uncoated duplex boards. The main product manufactured by DIPL is coated white / grey back paper board. The said products are manufactured in a wide GSM (gram per square metre). The products manufactured by DIPL find application in industries like FMCG and pharmaceutical. The company is a recognized 1 Star Export house.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	443.86	351.33
EBITDA	20.18	19.11
PAT	13.63	10.65
Total Debt	6.35	25.80
Tangible Net Worth	197.22	164.82
EBITDA Margin (%)	4.55	5.44
PAT Margin (%)	3.03	3.00
Overall Gearing Ratio (x)	0.03	0.16
Interest Coverage (x)	9.46	14.49

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in in 2021-2022
					Date (October 17, 2023)	**Date** (July 18, 2022))	**Date** (April 19, 2021)
1.	Cash Credit	Long Term	57.00	IVR BBB+/Stable	IVR A-/ Negative	IVR A-/ Positive	IVR A-/ Stable
2.	Long Term Fund Based – Proposed Limit	Long Term	-	-	-	-	IVR A-/ Stable
3.	Corporate Credit Card Limit	Short Term	-	-	-	-	IVR A2+
4.	Letter of Credit	Short Term	2.50	IVR A2	IVR A2+	IVR A2+	IVR A2+
5.	Bank Guarantee	Short Term	0.40	IVR A2	IVR A2+	IVR A2+	IVR A2+

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in in 2021-2022
					Date (October 17, 2023)	**Date** (July 18, 2022))	**Date** (April 19, 2021)
6.	Credit Exposure Limit	Short Term	0.52	IVR A2	IVR A2+	IVR A2+	IVR A2+

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	57.00	IVR BBB+/Stable
Letter of Credit	-	-	-	-	2.50	IVR A2
Bank Guarantee	-	-	-	-	0.40	IVR A2
Credit Exposure Limit	-	-	-	-	0.52	IVR A2

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Deevyashakti-India-10jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: NA

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com