



Press Release

Divine Motors Private Limited

July 15, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	41.63	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR BB/Stable (IVR Double B with Stable Outlook)	Downgraded to IVR D from IVR BB/ Stable and simultaneously upgraded to IVR BB-/ Stable	Simple
Long Term Bank Facilities	6.78	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	Assigned	Simple
Total	48.41 (Enhanced from Rs. 41.63 Crore)	(Rupees Forty-Eight Crore and Forty-One 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 has downgraded the long term rating to IVR D from IVR BB/Stable on account of delay in interest payment of GECL loan by 4 days in the month of December 2023 and simultaneously upgraded the rating to IVR BB-/Stable on account of timely servicing for more than 90 days. IVR has also assigned IVR BB-/Stable for the long-term enhanced facilities of Divine Motors Pvt Ltd (DMPL).

The rating continues to draw comfort from extensive experience of the promoters along with established track record of operations with long standing association with leading original equipment manufacturer (OEM). However, these rating strengths are partially offset by moderate scale of operations and thin profitability, leveraged capital structure and weak debt protection metrics, limited bargaining power with principal automobile manufacturer along with elongated operating cycle.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that Divine Motors Pvt Ltd will continue to benefit on account of experienced promoters and increasing scale of operations.



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Infomerics Ratings has principally relied on the standalone audited financial results of Divine Motors Pvt Ltd up to 31 March 2023 (refers to period April 1st, 2022, to March 31st, 2023), provisional FY24 results (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations and profitability more than 6%.
- Improvement in the capital structure with further improvement in debt protection indicators.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters**

Established in 2009, Divine Motors Private Limited, is engaged in dealership of Hyundai passenger vehicles. The company is promoted by Mr. Piyush Desai and Mrs. Sonal Desai. Mr. Piyush Desai, who is a B.com graduate by qualification, has an experience of four decades in the industry. Mrs. Sonal Desai, who is also a B.com graduate by profession, has an experience of 25 years. The directors are involved in the day-to-day operations of the company and handle their respective functions.

- **Established track record of operations with long standing association with leading original equipment manufacturer (OEM)**



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Divine Motors Private Limited is engaged in automobile dealership business and has a longstanding association with leading OEM i.e., Hyundai Motors India Private Limited (HMIPL). The company have their showrooms in Vapi and Silvassa.

Key Rating Weaknesses

- **Moderate scale of operations and thin profitability**

The company has reported a Total Operating Income of Rs. 156.91 crore in FY24 (Provisional) against Rs. 140.46 crore in FY23, grew by 11.70% on account of increase in sale of vehicles. The EBITDA improved to Rs 7.61 crore in FY24 (Provisional) as against Rs. 5.86 crore in FY21 mainly on account of increase in scale of operations. The EBITDA margin improved by 68 bps to 4.85% in FY24 (Provisional) as against 4.17% in FY23. The PAT margin of the company increased by 9 bps to 0.46% in FY24 (Provisional) as against 0.37% in FY23.

- **Leveraged capital structure and weak debt protection metrics**

The capital structure of the company stood moderate with TNW of Rs 15.60 crore as on March 31, 2024 improving from Rs. 14.88 crore as on March 31, 2023. The overall gearing of the company stood leveraged at 3.95x as on March 31, 2024 (Provisional) against 3.95x as on March 31, 2023. The TOL/TNW stood high at 4.27x as on March 31, 2024 moderated from 4.22x as on March 31, 2023 mainly due to increase in term loan. The debt protection metrics of the company stood moderate with Interest Coverage Ratio of 1.26x in FY24 (Provisional) moderated from 1.30x in FY23. The total debt to GCA stood high at 42.28x as on March 31, 2024 improved from 43.36x as on March 31, 2023 due to increase in profits. The Debt Service Coverage Ratio of the company is below unity and moderated from 0.87x in FY23 to 0.75x in FY24.

- **Limited bargaining power with principal automobile manufacturer**

Being primarily into auto dealership business, the company's business model is largely in the nature of trading wherein profitability margins are inherently low. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of products is set at a particular level by the principal manufacturer thereby restricting any incremental income for the company.



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- **Elongated operating cycle**

The operating cycle of the company stood elongated at 129 days in FY24 (Provisional) moderated from 121 days in FY23 mainly on account of increase in scale of operations.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading 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 – Stretched

The company has stretched liquidity marked by tightly matched cash accruals vis-a-vis its debt obligations and would require timely infusion of funds by promoters to support debt servicing. Further, the company's bank limits are utilised to an extent of ~93.26% for last 12 months ended May 31, 2024, indicating low cushion. The current ratio of the company was 1.66x while quick ratio stood at 0.50x as on March 31, 2024. The operating cycle of the company moderated to 129 days as on March 31, 2024, against 121 days as on March 31, 2023. The unencumbered cash and bank balance as on March 31, 2024, stood at Rs 1.12 Crore.

About the Company

Divine Motors Private Limited was incorporated as a private limited company on 15 June, 2009 by the Desai family. DMPL has its registered office located at Vapi, Gujarat. The company is an authorized dealer of passenger cars of Hyundai in Vapi district of Gujarat and Silvassa at Dadar and Nagar Haveli.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	140.46	156.91
EBITDA	5.86	7.61
PAT	0.53	0.72
Total Debt	58.80	61.59
Tangible Net Worth	14.88	15.60
EBITDA Margin (%)	4.17	4.85
PAT Margin (%)	0.37	0.46
Overall Gearing Ratio (x)	3.95	3.95
Interest Coverage (x)	1.30	1.26

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickworks Ratings India Pvt Ltd vide its press release dated June 10, 2024, has continued to classify the ratings of the company under Issuer Non-Cooperating category on account of non-submission of relevant information.

Any other information: Not applicable

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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					June 15th, 2023	-	-
1.	Long Term Fund Based Limits	Long Term	48.41	IVR BB-/Stable	IVR BB/Stable	-	-

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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



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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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
Long Term Facility – Cash Credit	-	-	-	-	32.00	IVR BB-/Stable
Long Term Facility – Term Loan	-	-	-	March 2035	10.53	IVR BB-/Stable
Long Term Facility - GECL	-	-	-	February 2028	5.88	IVR BB-/Stable



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Annexure 2: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Divine-Motors-15july24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.

