



Press Release

Divine Motors Private Limited

June 15th, 2023

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	41.63	IVR BB / Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Total	41.63	(Rupees Forty-one crore and sixty three lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Divine Motors Private limited (DMPL) draw comfort from its extensive experience of promoters and 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 with moderately weak debt protection metrics, limited bargaining power with principal automobile manufacturer, cyclical nature of the auto industry and elongated operating cycle.

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection indicators.

Downward factor:



Press Release

- 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)**

Divine Motors Private Limited is engaged in automobile dealership business and has a long-standing association with leading OEM i.e., Hyundai Motors India Private Limited (HMIPL). The company has four showrooms in Vapi and Silvassa which provide 3s (Sales, Service or Spare).

Key Rating Weaknesses

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

The total operating income of the company in FY22 was Rs 139.18 crore against Rs 119.88 crore in FY21; increased by 16.10% on account of increase in sale of vehicles. The EBITDA improved marginally to Rs 5.74 crore in FY22 at against Rs. 5.20 crore in FY21 though EBITDA margin moderated to 4.13% in FY22 against 4.34% in FY21 on account of decline in margin on traded vehicles. The PAT of the company also improved from Rs 0.29 crore in FY21



Press Release

to Rs 0.44 crore in FY22. The PAT margin has also improved from 0.24% in FY21 to 0.31% in FY22. The GCA stood at Rs 1.24 crore in FY22 (Rs.1.24 crore in FY21). As per the key provisional figures submitted by company, it has reported EBITDA and PAT of Rs. 5.62 crore and Rs. 0.59 crore respectively on total operating income of Rs. 136.92 crore in FY23.

- **Leveraged capital structure with moderately weak debt protection metrics**

The interest service coverage ratio (ISCR) marginally moderated to 1.28x in FY22 as compared to 1.31x in FY21, and the debt service coverage ratio (DSCR) improved to 1.08x in FY22 as compared to 0.90x in FY21. TNW stood at Rs 14.36 crore as on March 31, 2022 improved from Rs. 13.92 crore as on March 31, 2021. The capital structure of the company stood leveraged marked by overall gearing of 3.16x as on March 31, 2022 improved from 3.42x as on March 31, 2021 mainly on account of accretion of profits to reserves and scheduled repayment of term loan. The TOL/TNW stood at 3.48x as on March 31, 2022, improved from 3.53x as on March 31, 2021 mainly due to decrease in total debt and increase in net worth. The total debt to GCA stood high at 36.57X as on March 31, 2022 improved from 38.27x as on March 31, 2021 due to decrease in debt.

- **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.

- **Cyclical nature of the auto industry**

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the movement in interest rates and fuel prices. A hike in interest rate, increases the costs associated with the purchase leading to purchase deferral. Fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable



Press Release

income of the consumers, influencing the purchase decision. The company thus faces significant risks associated with the dynamics of the auto industry.

- **Elongated operating cycle**

The operating cycle of the company stood elongated at 118 days in FY22 improved from 143 days in FY21 mainly on account of decrease in inventory period with an increase in scale of operations.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

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 ~88.59% for last 12 months ended April 30, 2023, indicating low cushion. The current ratio of the company was 1.35x while quick ratio stood at 0.45x as on March 31, 2022. The operating cycle of the company improved to 118 days as on March 31, 2022 against 143 days as on March 31, 2021 mainly on account of decrease in average inventory period with an increase in scale of operations. The unencumbered cash and bank balance as on March 31, 2022, stood at Rs 0.04 crore and as on March 31, 2023 stood at Rs. 0.04 crore.

About the Company

Divine Motors Private Limited was incorporated as a private limited company on 15 June, 2009 by Desai family. DMPL has its registered office located at Vapi, Gujarat. The company is



Press Release

authorized dealer of passenger cars of Hyundai in Vapi district of Gujarat and Silvassa at Dadar and Nagar Haveli. Company operates 4 Showrooms and 2 workshops located in Vapi and Silvassa.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	119.88	139.18
EBITDA	5.20	5.74
PAT	0.29	0.44
Total Debt	47.54	45.39
Tangible Net worth	13.92	14.36
EBITDA Margin (%)	4.34	4.13
PAT Margin (%)	0.24	0.31
Overall Gearing Ratio (x)	3.42	3.16

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Limits	Long Term	41.63	IVR BB/ Stable Outlook	-	-	-

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About Infomerics:



Press Release

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Term Loan	-	-	Upto 2029	9.63	IVR BB / Stable Outlook
Long Term Bank Facility – Cash Credit	-	-	-	32.00	IVR BB / Stable Outlook

Annexure-II: List of companies considered for consolidated analysis: Not Applicable.



Press Release

Annexure 3: Facility wise lender details: [Len-Divine-motors-jun23.pdf \(infomerics.com\)](#)

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

