



Press Release

Designtree.com Limited

July 7, 2023

(Revised)

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	87.00	IVR BB (CE)/ Stable (IVR double B [Credit Enhancement] with Stable outlook)*	Rating revised from IVR BBB-(CE)/ Stable (IVR triple B minus [Credit Enhancement] with Stable outlook)	Complex
Total	87.00 (INR eighty seven crore only)			

**Based on unconditional and irrevocable Corporate Guarantee from Ravi Vinyls India Limited*

Unsupported Rating	IVR BB/ Stable (IVR double B with Stable outlook)
--------------------	---

Note: Unsupported Rating does not factor in unconditional and irrevocable Corporate Guarantee from Ravi Vinyls India Limited

Details of Facilities are in Annexure 1

Detailed Rationale

The bank facilities of Designtree.com Limited (DTCL) has received an unconditional, irrevocable and enforceable corporate guarantee which has been extended by its holding company, Ravi Vinyls India Limited (RVIL) (rated at IVR BB-/ Negative ISSUER NOT COOPERATING based on best available information) to the bank facilities of DTCL aggregating to Rs. 87.00 crore, based on which the rating of the said bank facilities is IVR BB (CE)/ Stable (IVR double B [Credit Enhancement] with Stable outlook against the unsupported rating of IVR BB/ Stable (IVR double B with Stable outlook).

The revision in unsupported rating considers timely commencement of commercial production of its manufacturing facilities. Infomerics expects, going forward, the topline and profits of the company to increase further on account of full-fledged production in its manufacturing facilities.



Press Release

Further, the ratings continue to derive comfort from experienced promoters, conservative capital structure and adequate coverage indicators and support from RVIL. However, these rating strengths are constrained by stiff competition from private players and unorganised sector, susceptibility of operating margin to volatility in raw material prices and fortunes linked to demand from the cyclical real estate industry.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operation with improvement in profitability and debt protection metrics on a sustained basis.
- Improvement in capital structure
- Improvement in credit risk profile of the corporate guarantor

Downward Factors

- Dip in operating income and/or profitability leading to a decline in GCA and coverage indicators.
- Moderation in the credit risk profile of the corporate guarantor

Adequacy of Credit Enhancement Structure:

For assigning the rating, Infomerics has assessed the attributes of the corporate guarantee issued by Ravi Vinyls India Limited (RVIL) in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in the rating of the said facilities at IVR BB (CE)/ Stable against the unsupported rating of IVR BB/ Stable. The adequacy of credit enhancement has been tested after considering guaranteed debt by RVIL and debt of DTIL. The adjusted capital structure and adjusted debt protection metrics of RVIL remain adequate.



Press Release

Transaction Structure

In event of payment default, the following structure will be applicable:

1. T being scheduled due date of payment.
2. The Lender will invoke the guarantee within T+1 days by giving a demand notice to the Guarantor, immediately upon occurrence of any event of default in repayment of the loan amount by the borrower of its due date.
3. Payment by the guarantor will be made within (T+2) days.

Infomerics will consider T+2 as its legal final maturity for the purpose of recognition of default.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Timely completion of the project and commencement of commercial production**

The project implementation has been completed as per the schedule and commercial production started from July 2022. The company achieved sales of Rs. 52.37 crore and EBITDA of Rs. 17.82 crore in FY2023 (provisional). Infomerics notes that a sustained increase in topline and profit will be a key rating factor going ahead.

- **Experienced promoters**

The promoters of the company have overall experience of more than three decades in similar industries. The company is currently managed by Mr. Jagrup Punilal Chowrasia, Mr. Dharmendra Jagrup Chowrasia and Mr. Jitendra Jagrup Chowrasia. Mr. Jagrup Punilal Chowrasia has overall experience of more than three decades in similar industries, Mr. Jitendra Jagrup Chowrasia has experience of more than two decades and Mr. Dharmendra Jagrup Chowrasia has experience of more than a decade. The long experience of the promoters and have enabled to forge strong relationship with suppliers and customers.



Press Release

- **Conservative capital structure and adequate coverage indicators**

The capital structure of the company remained moderate with total debt of Rs. 45.45 crore and networth of Rs. 54.24 crore as March 31, 2023 (provisional) on compared with total debt of Rs. 33.25 crore as on March 31, 2022, and net worth of Rs. 54.53 crore as on March 31, 2022. The increase in debt was on account of term loan taken issued to fund the project. Thus as on March 31, 2023 (provisional), the overall gearing ratio remained moderate as it stood at 0.84x and TOL/TNW was 1.50x. Moreover, interest coverage ratio and debt service coverage ratio was 3.45x and 3.51x in FY23 (provisional). Infomerics believes an improvement in capital structure going forward due to scheduled repayment of loan and increase in networth due to accretion of profit to reserves.

- **Support from RVIL**

The bank facilities of the company is backed by corporate guarantee from RVIL. RVIL is debt free in nature, however its financial performance has deteriorated in FY22 and FY23 (prov).

Key Rating Weaknesses

- **Stiff competition from private players and unorganised sector**

The decorative laminates and panel boards industry is intensely competitive because of several unorganised and organised (Greenlam Industries Ltd and Century Plyboards India Ltd) domestic players as well as some international brands. Competition is expected to intensify with the advent of large foreign brands and veneer players into the laminates segment. Though replacement demand continues to support operations during lean phases, new users and the construction industry remain the key growth drivers.

- **Susceptibility of operating margin to volatility in raw material prices**

The primary raw material for the company are PVR Resin, ink and pigments, Dioctyl Phthalate, calcium carbonate, impact modifiers and additives. The price of the key raw material that is PVC Resin has remained volatile in the recent past, and any volatility in the price of this key raw material exposes the company to price volatility risk.



Press Release

- **Fortunes linked to demand from the cyclical real estate industry**

The company supplies various kinds of laminates, plywood, boards and decorative woods, the demand of which largely comes from the real estate sector which is cyclical in nature and its fortunes depend upon the overall economic conditions in the country. The industry is also sensitive to the interest rate in the economy and any adverse impact on real estate sector is likely to affect the growth rate of wood industry.

Analytical Approach: Standalone and credit enhancement

Credit enhancement is based on the unconditional, irrevocable and enforceable corporate guarantee extended by its holding company, Ravi Vinyls India Limited (RVIL) to the bank facilities of DTCL.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Rating methodology for Structure Debt Transaction \(Non-securitisation transaction\)](#)

Liquidity – Adequate

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations from FY24 to FY26. Moreover, the company's bank limits are utilized to the extent of ~18% on an average for the past eleven months period ended May 2023, giving sufficient liquidity cushion. Moreover, the company is expected to get need based adequate support from its holding company RVIL.



Press Release

About the company

Incorporated on November 22, 2019, Designtree.com Limited (DTCL) (Erstwhile known as Raalchem Industries Limited) is a 100% subsidiary of Ravi Vinyls India Limited (RVIL) which is into trading and import of PVC resins. DTCL has started commercial operation of manufacturing unit for polyvinylchloride (PVC) based thermoplastic decorative surfaces with total capacity of 20 million square meter with its registered trademark "Design Tree" from July, 2022.

About the Corporate Guarantor (Ravi Vinyls India Limited)

Ravi Vinyl India Limited (RVIL) incorporated in 2017 is engaged in trading of Poly Vinyl Chloride (PVC) resin. RVIL is an importer and distributor of all types of PVC resin as per requirements of its clients.

Financials (Standalone):

(Rs. Crore)		
For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	0.00	52.37
EBITDA	-0.42	17.82
PAT	-0.21	-7.29
Total Debt	33.25	45.45
Tangible Net-worth	54.53	54.24
EBITDA Margin (%)	-	34.03
PAT Margin (%)	-79.46	-13.82
Overall Gearing Ratio (x) (adjusted)	0.61	0.84

**Classification as per Infomerics' standards*

Financials of the Corporate Guarantor (Ravi Vinyls India Limited):

(Rs. Crore)		
For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	92.92	97.90
EBITDA	8.32	0.60
PAT	6.10	0.31



Press Release

Total Debt	0.00	0.00
Tangible Net-worth	66.98	67.30
EBITDA Margin (%)	8.96	0.61
PAT Margin (%)	6.52	0.32
Overall Gearing Ratio (x) (adjusted)	0.00	0.00

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 28, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long term	54.00	IVR BB (CE)/ Stable	IVR BBB-(CE)/ Stable	-	-
2.	Cash Credit	Long term	33.00*	IVR BB (CE)/ Stable	IVR BBB-(CE)/ Stable	-	-

** Sub-limit - LC of Rs.25.00 crore and Forward contract/Derivatives of Rs. 1.10 crore*

Name and Contact Details of the Rating Analyst:

Name Ms. Sapna Bagaria Tel: 033-4803 3621 Email: sapna.bagaria@infomerics.com	Name: Mr. Sandeep Khaitan Tel: 033-4803 3621 Email: sandeep.khaitan@infomerics.com
---	--



Press Release

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.

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

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	June 2030	54.00	IVR BB (CE)/ Stable
Cash Credit	-	-	-	33.00*	IVR BB (CE)/ Stable

* Sub-limit - LC of Rs.25.00 crore and Forward contract/Derivatives of Rs.1.10 crore

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: As per attached annexure

[len-DTPL-jul23.pdf \(infomerics.com\)](#)

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

Financial Covenants

Covenants (in relation to the undernoted parameters) (i.e. DSCR, Int. Coverage, FACR, Debt/EBIDTA etc) are to be stipulated for all term loans and these are required to be tested annually on the basis of Audited Balance Sheet (ABS). Penal interest will be charged in case of breach of any two of the four parameters vis-d-vis values as approved by the sanctioning authority in the sanction note. The penal interest will apply from the day after the date of ABS, and shall continue till the breach is cured.

Parameters	Benchmark for annual testing of financial covenants (to be tested as per ABS as on 31 03.2023)	Penalty for adverse deviation	
GDSCR	2.99	1. Upto 5%	Nil
ISCR	2.26	2. >5% & upto 10%	25 bps p.a.
FACR	1.48	3. >10%	50 bps p.a.
Debt/EBITDA	4.63		

Non Financial Covenants

The borrower should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bank



Press Release

The borrower should submit to the Bank such financial statements as may be required by the Bank from time to time in addition to the set of such statements to be furnished by the borrower to the Bank as on the date of publication of the borrower's annual accounts.

In case of default in repayment of the loan/advances or in the payment of the interest thereon or any of the agreed instalments of the loan on due date(s) by the borrower, the Bank and/or the RBI will have an unqualified right to disclose or publish the borrower's name or the name of the borrower/unit and its directors/partners/proprietors as defaulters/willful defaulters in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit.

The Bank will have the right to share credit information as deemed appropriate with Credit Information Companies (CICs) or any other institution as approved by RBI from time to time

The borrower should not induct into its Board a person whose name appears in the willful defaulters list of RBI/ CICs. In case such a person is already on the Board of the borrowing company, it would take expeditious and effective steps for removal of that person from its Board. Nominee directors are excluded for this purpose.

Link to the original PR is given below

[pr-designtree-7jul23.pdf \(infomerics.com\)](#)

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.