



Press Release

Designtree.com Limited

June 28, 2022
(Revised)

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	87.00	IVR BBB-(CE); Stable (IVR Triple B Minus [Credit Enhancement] with stable Outlook)*	Assigned	Complex
Total	87.00 (Eighty-seven crore only)			

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

Unsupported Rating	IVR BB-/Stable (IVR Double B minus with Stable Outlook)
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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 aforesaid rating assigned to the bank facilities of Designtree.com Limited (DTCL) derive comfort from unconditional, irrevocable and enforceable corporate guarantee extended by its holding company, Ravi Vinyls (India) Limited (RVIL) to the bank facilities of DTCL aggregating to Rs.87 crore. This corporate guarantee continues to result in credit enhancement in the rating of the said bank facilities to IVR BBB- (CE); Stable/IVR A3 (CE) (IVR Triple B Minus [Credit Enhancement] with Stable Outlook/ IVR A Three [Credit Enhancement]) against the **unsupported rating of IVR BB-; Stable (IVR Double B Minus with Stable Outlook)**. The unsupported rating also derives strength from its experienced promoters and advance stage of project implementation. However, these rating strengths are constrained by its project stabilization risk, stiff competition from private players and unorganized sector, susceptibility of operating margin to volatility in raw material prices, fortune linked to demand from the cyclical real estate industry.

Rating Sensitivities

Upward factors

- Successful implementation of the project and stabilization of operation



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- Improvement in the capital structure with improvement in the debt protection metrics
- Improvement in credit risk profile of the corporate guarantor

Downward Factors

- Delay in completion of the project leading to significant cost overrun or time overrun.
- Moderation from envisaged revenue and profitability impacting the debt protection metrics on a sustained basis.
- 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 BBB- (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.

Transaction Structure

In the payment is not made on due date, the guarantee will be invoked and the payment will be made on demand.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **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.

- **Advance stage of project implementation**



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The project implementation is in advance stage where more than 90% work has been completed and the project is expected to start commercial production from July 2022.

- **Support from RVIL**

The bank facilities of the company is backed by corporate guarantee from RVIL. RVIL is debt free in nature and has a healthy financial risk profile.

Key Rating Weaknesses

- **Project stabilization risk**

The project is expected to start operations from July 2022. However, achievement of envisaged sales and profitability is yet to be materialized. Hence there exists a project stabilization risk.

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

The decorative laminates and panel boards industry is intensely competitive because of several unorganised and big organised domestic players as well as some international brands. Competition is expected to intensify further 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 growth in real estate industry remain the key growth drivers.

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

The primary raw material for the company is wood, paper and chemicals like Formaldehyde, Phenol, Melamine, etc. The margins of the company remain exposed to price volatility risk as wood and paper prices have remained fluctuating in the past.

- **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



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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](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

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

Liquidity: Adequate

As the entity is yet to commence commercial operations, there are no cash inflows from operation. Further, the entity has applied for term loan from financial institution which has been sanctioned as on date. The repayment of term loan is expected to commence from May 2023 and entity would bring need-based funds for first year of operation to meet its debt obligations. However, the company is expected to get need based adequate support from its holding company RVIL.

About the Company

Incorporated on November 22, 2019 Design Tree.Com Limited (DTCL) (Erstwhile known as Raalchem Industries Limited) is a 100% subsidiary of Ravi Vinyls (India) Limited which is into trading and import of PVC resins. DTCL is planning to start its manufacturing unit for polyvinyl chloride (PVC) based thermoplastic decorative surfaces with total capacity of 20 million square meter with its registered trademark "Design Tree". The major raw material required is PVC resin and the same will be procured imports and domestic market. The project is expected to be completed by June, 2022 and the commercial operation is expected to start 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): Not meaningful as the operation of the company has not started yet.



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

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	236.22	109.34
EBITDA	15.28	8.29
PAT	12.07	6.28
Total Debt	0.00	0.00
Tangible Net worth	60.88	67.16
EBITDA Margin (%)	6.47	7.58
PAT Margin (%)	5.06	5.71
Overall Gearing Ratio (x)	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 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	Term Loan	Long Term	54.00	IVR BBB-(CE); Stable*	-	-	-
2	Cash Credit	Long-term	33.00	IVR BBB-(CE); Stable*	-	-	-

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

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About Infomerics:

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).



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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

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, suspend 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.

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	-	-	-	54.00	IVR BBB-(CE); Stable*
Cash Credit	-	-	-	33.00	IVR BBB-(CE); Stable*

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

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

Annexure 3: Facility wise lender details:

[Len-Designtree-june22.pdf \(infomerics.com\)](#)

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



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Financial Covenants

Covenants (in relation to the undernoted parameters) (i.e. DSCR, Int. Coverage, FACR, Debt/EBITDA 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	-		1. Upto 5%	Nil
ISCR	2.30		2. >5% &	25 bps p.a
FACR	1.26		upto 10%	50 bps p.a
Debt/EBITDA	3.63		3. >10%	

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

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 last PR is given here:

[pr-Designtreecom-june28-2022.pdf \(infomerics.com\)](#)



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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.

