

July 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.75	SMERA BB-/Stable (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA BB-'** (read as **SMERA double B minus**) to the Rs. 6.75 crore bank facility and a short term rating of '**SMERA A4'** (read as **SMERA A four**) to the Rs.2.00 crore bank facility of Lesha Agencies (LA). The outlook is '**Stable**'. The ratings draw support from an experienced management and healthy revenue growth. However, the ratings are constrained by the firms' stretched liquidity position and moderate financial risk profile. The ratings note that the firm operates in a highly competitive mobile phone distribution industry.

LA, established in the year 2004 is a Pune-based firm engaged in the distribution of Micromax and Sony smart phones and satellite television equipment for TATA Sky. The firm is headed by Mr. Kiran Jain, the proprietor who possesses more than a decades experience in the distribution business. LA has registered healthy revenue growth of 63 per cent (compounded annual growth rate) over the past four years. The firm has achieved operating income of Rs.152 crore in FY2013-14 (refers to financial year, April 01 to March 31) as compared to Rs.63.87 crore in FY2012-13.

However, the firm's liquidity is stretched evident from the high utilisation (~98 per cent) of cash credit limit from Jan 2015 to May 2015. LA's moderate financial risk profile is evident in the gearing (debt-to-capital ratio) of 0.64 times as on March 2015 and moderate interest coverage of 1.86 times in FY2014-15. LA faces competition from domestic and international smart phone brands such as Samsung, Apple, Motorola, Karbonn among others.

Outlook: Stable

SMERA believes that LA will continue to benefit over the medium term from its promoters' extensive experience in the smart phone segment. The outlook may be revised to 'Positive' if the firms' financial risk profile, particularly its liquidity, improves. Conversely, the outlook may be revised to 'Negative' if the firms' liquidity weakens with any unanticipated stretch in the working capital cycle or sizeable capital withdrawals by the promoter.

About the Firm

Lesha Agencies (LA), established in the year 2004 by Mr. Kiran Jain, is a Pune-based proprietorship concern engaged in the distribution of Micromax and Sony smart phones and satellite television equipment for TATA sky in Pune.

For FY2014-15, LA reported net profit of Rs.2.01 crore (provisional) on total income of Rs.167.30 crore (provisional), as compared with net profit of Rs.2.50 crore on total income of Rs.152.22 crore in FY2013-14. The firm's net worth stood at Rs.17.40 crore as on March 31, 2015, as compared with Rs.12.27 crore a year earlier.

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SMERA RATINGS LIMITED

Lesha Agencies (LA)

*Rating
Rationale*

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