

Press Release

Lesha Agencies (LA)

March 24, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.75 Cr
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-rating of '**SMERA BB-**' (read as SMERA double B minus) and short-term rating of '**SMERA A4**' (read as SMERA A four) on the above mentioned bank facilities of Lesha Agencies (LA). The outlook is '**Stable**'.

Established in 2004, LA, promoted by Mr. Kiran Jain is a proprietorship concern, engaged in the distribution of Micromax, Sony and Ziox smart phones as also satellite television equipment for TATA Sky.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: The Promoter has more than a decade of experience in the mobile distribution business.

Moderate financial risk profile: The firm has a comfortable financial risk profile with net worth of Rs. 20.66 cr as on March 31, 2016 as against Rs. 17.05 cr as on March 31, 2015. The gearing (debt-to-equity ratio) stood at 0.36 times as on March 31, 2016 as compared to 0.62 times in the previous year. The interest coverage ratio stood at 1.13 while the debt service coverage ratio stood at 1.13 times as on March 31, 2016.

Weaknesses:

Working capital intensive operations: LA's operations are working capital intensive as reflected in the gross current asset (GCA) days of 114 for FY2016 and 76 days for FY2015. The high GCA emanates from the high debtor days of 70 for FY2016. Also, the average utilisation of bank limits stood high at ~100 per cent in the last six months.

Intense competition: The firm faces intense competition from e-commerce players in the mobile phone distribution segment resulting in decline in revenue from Rs.166.12 cr in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.102.42 cr in FY2015-16. Further, the firm registered revenue of around Rs.30.00 cr in FY2015-16. Although, the revenue has been fluctuating, the operating profit margin remained stable at 2.21 per cent in FY2015-16 and 2.33 per cent in FY2014-15.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm.

Applicable Criteria

- Trading Entities: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

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

About the Rated Entity – Key Financials

For FY2015–16, LA reported net profit of Rs.0.33 cr on total income of Rs.102.42 cr, as compared to net profit of Rs.1.59 cr on total income of Rs.166.12 cr in FY2014–15. The net worth stood at Rs.20.66 cr as on March 31, 2016, as compared with Rs.17.05 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	6.75	SMERA BB-/Stable (Reaffirmed)	Jul 29, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Bank Guarantee	LT	2.00	SMERA A4 (Reaffirmed)	Jul 29, 2015	SMERA A4 (Assigned)	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	6.75	SMERA BB-/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	2.00	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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