



SMERA RATINGS LIMITED

Pacific Citifone Deals Private Limited (PCDPL)

*Rating
Rationale*

March 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	8.00	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.16.00 crore bank facilities of Pacific Citifone Deals Private Limited (PCDPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations in a highly competitive and fragmented mobile handsets industry. The ratings are further constrained by the company's uneven revenues stream and low profitability. However, the ratings are supported by the company's experienced management, comfortable liquidity position and established association with Apple Inc. and Sony.

PCDPL, incorporated in 2005, is a Mumbai-based distributor for Sony and Apple Inc. Till July 2013, PCDPL was engaged in distribution of Nokia mobile handsets. PCDPL has small-scale operations reflected in revenues of Rs.46.54 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's revenue declined from Rs.74.75 crore in FY2010-11 to Rs.46.54 crore in FY2012-13 due to decline in Nokia's market share amidst intensifying competition in the mobile handsets industry. However, PCDPL's revenues increased in FY2013-14 (Rs.57.09 crore registered during April 2013 to December 2013) due to change in distributorship. PCDPL operates on low profitability reflected in operating profit margin of 1.37 per cent and net profit margin of 0.45 per cent in FY2012-13.

PCDPL has moderately high gearing (debt-to-equity ratio) of 1.99 times as on March 31, 2013. The company's total debt (of Rs.4.44 crore as on March 31, 2013) includes unsecured loans of Rs.1.24 crore, which are subordinated to bank debt. However, PCDPL's average utilisation of working capital limit is low at 46 per cent during April 2013 to December 2013, mainly on account of comfortable working capital cycle.

PCDPL benefits from its experienced management. Mr. S. G. Lohana and Mr. Viren Lohana, promoters of PCDPL, have around ten years of experience in distribution of consumer durables. PCDPL is also poised to benefit from its established association with Sony and Apple Inc.

Outlook: Stable

SMERA believes the outlook on PCDPL's rated facilities will remain stable over the medium term on the back of the company's experienced management and long track record of operations. The

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outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations, while achieving sustained improvement in operating profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intense competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of stretch in working capital cycle.

About the company

PCDPL, incorporated in 2005, is a Mumbai-based company promoted by Mr. S. G. Lohana and Mr. Viren Lohana. PCDPL has exclusive rights to distribute Apple Inc's products in western suburbs (from Dadar to Vile Parle) and central suburbs (Dadar – Mulund – Navi Mumbai) of Mumbai. PCDPL is also the sole distributor of Sony LCDs, LEDs and music systems in Thane and Navi Mumbai.

For FY2012–13, PCDPL reported PAT of Rs.0.21 crore on operating income of Rs.46.54 crore, as compared with PAT of Rs.0.29 crore on operating income of Rs.68.73 crore for FY2011–12. The company's net worth stood at Rs.2.23 crore as on March 31, 2013, as compared with Rs.2.02 crore a year earlier.

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