

Press Release

Consolidated Premium Retailers (CPR)

February 18, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.14.50 Cr
Long Term Rating	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)

**Refer Annexure for details*

Rating Rationale

SMERA has downgraded the rating on the Rs.14.50 crore bank facilities of Consolidated Premium Retailers (CPR) from **'SMERA BB+' (read as SMERA double B plus)** to **'SMERA BB' (read as SMERA double BB)**. The outlook is **'Stable'**.

The downgrade reflects the deterioration in the debt protection matrices and coverage indicators. However, the rating continues to draw comfort from the experienced management, healthy revenue growth rate and stable profitability margins.

CPR, incorporated in 2010, is a Coimbatore-based authorised dealer of Apple products.

List of key rating drivers and their detailed description

Strengths:

Experienced management and established track record of operations: CPR has been an authorised dealer of Apple products since 2010. The firm continues to benefit from its experienced management. Mr. Raakesh Ramanand, Partner, has over a decades experience in the dealership business.

Healthy growth rate in revenues: The firm registered healthy revenue growth rate of 48.54 percent in FY2015-16 over the previous year with the opening of five retail outlets for Apple products in FY2015-16. The operating income stood at Rs.118.61 crore in FY2015-16 as against Rs.79.85 crore in FY2014-15.

Stable operating profitability: The EBITDA margin remained stable at 3.52 per cent in FY2015-16 as against 3.57 per cent in FY2014-16.

Weaknesses:

Moderate financial risk profile: CPR's financial risk profile is moderate marked by low net worth of Rs.2.62 crore as on 31 March 2016. The gearing increased to 5.92 times as on March 31, 2016 against 2.03 times on 31 March 2015. Further, the firm's liquidity profile is stretched as it continues to fully utilise its working capital limits. The interest coverage ratio stood at 1.97 times for FY2015-16 as against 2.41 times for FY2014-15.

High degree of correlation: The operations entirely depend upon the performance of Apple as a brand since its core business continues to remain distribution of Apple products, accounting for 100 per cent of revenues. CPR operates in an industry characterised by intense market competition.

Analytical approach: SMERA has considered the standalone financial and business risk profiles to arrive at the rating.

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 CPR will maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the dealership business. The outlook may be revised to 'Positive' if the group achieves higher than expected revenues while maintaining liquidity profile. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve scalability or if the financial risk profile deteriorates.

About the Rated Entity

Consolidated Premium Retailers (CPR) incorporated, in 2010, is a Coimbatore-based partnership firm headed by Mr. Raakesh Ramanad. The firm is an authorised dealer of Apple products such as iPhone, MacBook, iPad etc. The firm has around seven retail outlets in Karnataka and eight in Tamil Nadu.

For FY2015-16, CPR registered net profit of Rs.1.76 crore on operating income of Rs.118.61 as compared to Rs.1.53 crore on operating income of Rs.79.85 crore in FY2014-15. The net worth stood at Rs.2.62 crore as on 31 March, 2016 as compared to Rs.3.28 crore in the previous year.

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	12.50	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)	23 Nov, 2015	SMERA BB+ (Assigned)	-	-	-	-
Proposed Cash Credit	LT	2.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)	23 Nov, 2015	SMERA BB+ (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A.	N.A.	N.A.	12.50	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
Proposed Cash Credit	N.A.	N.A.	N.A.	2.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)

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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