

Press Release

Sri Palani Andavar & Co (Blr)

April 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.00 crore bank facilities of Sri Palani Andavar & Co (Blr). The outlook is '**Stable**'.

Sri Palani Andavar & Co (SPA) is a Tamil Nadu-based firm established in 2007. The firm is one of the leading distributors of mobile phones of Panasonic, Videocon and Oppo in Tamil Nadu. The firm's suppliers are Jaina Mobile India Private Limited (Panasonic), Planet Mobile Private Limited (Videocon) and Oppo Mobile (TN) Private Limited (Oppo Mobile).

Key Rating Drivers

Strengths

- **Experienced management**

SPA, established in 2007 was engaged in yarn trading until 2012. However, in 2014 the firm began dealing in mobile phones. The firm is one of the leading distributors of Panasonic, Videocon and Oppo mobile phones in Tamil Nadu. The proprietor Mr. K.P.K Selvaraj possesses more than a decades experience in the trading business.

- **Comfortable profit margins**

SPA has shown comfortable profit margins for the past two years. The EBITDA margins stood at 4.85 percent in FY2016 as against 4.37 percent in FY2015. The net margins are comfortable at 3.38 percent in FY2016 and 4.37 percent in FY2015. The RoCE stood at 15.76 percent in FY2016.

- **Moderate financial risk profile**

SPA has moderate financial risk profile marked by low net worth of Rs.2.77 cr as on 31 March, 2016 as against Rs.2.37 cr as on March 31, 2015. The gearing (Debt to equity) stood comfortable at 0.72 times as on 31 March, 2016. The Interest coverage ratio (ICR) stood healthy at 3.37 times in FY2015-16. Further, TOL/TNW stood comfortable at 1.74 times in FY2015-16.

- **Diversified product portfolio**

SPA deals in a range of mobile phones of various brands. The firm plans to sell other services such as insurance from FY2017-18.

Weaknesses

- **Small scale of operations**

SPA operates on a small scale with operating income of Rs. Rs.11.66 cr for FY2016 as compared to Rs.3.82 cr for FY2015. The firm generated revenue of ~Rs. 12.26 cr from April 2016 - January 2017.

• Working capital intensive operations

SPA's operations are working capital intensive, marked by high gross current assets (GCA) of 204 days as on March 31, 2016 (PY: 208 days). This was on account of elongated debtor days of 165 days. The working capital cycle stretched to 165 days in FY2015-16 (PY: 93 days). Further, the average utilisation in working capital limit stood at 90 percent for the past six months ended January 2017.

• Competitive consumer electronics business

SPA is exposed to intense market competition in the consumer electronics business.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Sri Palani Andavar & Co.

Outlook: Stable

SMERA believes that SPA will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm reports higher than projected revenue growth and profit margins or registers improvement in its financial profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or fall in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, SPA reported profit after tax (PAT) of Rs. 0.39 cr on operating income of Rs. 11.66 cr, as compared with PAT of Rs. 0.17 cr on operating income of Rs. 3.82 cr in the previous year. The net worth stood at Rs. 2.77 cr as on March 31, 2016 compared to Rs. 2.37 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	2.65	SMERA B+ / Stable

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