

## Press Release

### Sri Palani Andavar & Co (Blr)

April 24, 2017

#### Rating Assigned

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

#### **Contacts**

Analytical	Rating Desk
Vinayak Nayak Head - Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Sudarson Swami Analyst - Rating Operations Tel: 022-67141179 <a href="mailto:sudarson.swami@smera.in">sudarson.swami@smera.in</a>	

### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*