

## Press Release

Sri Palani Andavar & Co

27 April, 2018



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	SMERA B+/Stable
<b>Short Term Rating</b>	SMERA A4

\*Refer annexure for details

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as SMERA B plus) and short-term rating of '**SMERA A4**' (read as SMERA A4) on the Rs.8.00 crore bank facilities of. The outlook is '**Stable**'.

SPAC was established in 2007 and was engaged in yarn trading till 2012. Later in 2014 the firm started to deal in mobile phones. The firm is based in Tiruppur, Tamil Nadu and is a distributor of Panasonic, Videocon and Oppo mobile phone in Tamil Nadu.

### Key rating drivers

#### Strengths

##### Experienced Management

The firm was established in 2007 and was engaged in yarn trading till 2012. Later in 2014 the firm started to deal in mobile phones. The firm is based in Tiruppur, Tamil Nadu and is a distributor of Panasonic, Videocon and Oppo mobile phone in Tamil Nadu. The firm has now a distributor in the whole Tamil Nadu state. Hence the management of SPA possesses around a decade of experience in trading activities.

##### Diversified product portfolio consisting of familiar brands

SPAC has diversified products in mobile phones consisting of familiar brands like Panasonic, Videocon and Oppo etc. The firm is also planning to expand its operations in other various states and the discussion is in process for the same. The revenue for the same will reflect in FY2018-19.

#### Weaknesses

##### Small scale of operations

SPAC operates on a small scale with operating income of Rs. Rs.14.90 crore for FY2017 as compared to Rs.11.66 crore for FY2016. The firm has generated revenue of ~Rs. 22.60 crore in FY2018.

##### Working capital intense operations

SPAC's operations are working capital intensive, as reflected by high gross current assets (GCA) of 288 days as on March 31, 2017 as against 183 days as on March 31, 2016. This was on account of elongated debtor's days of 199 days. Working capital cycle stretched to 204 days for FY2016-17 from 165 days in FY2015-16. The bank limit utilisation was 100 per cent for last three months ending March 2018.

##### Present in competitive consumer electronic business

SPAC is present in highly competitive industry where the sector faces stiff competition from multinational players who have a big spend on advertisement and brand display. Also domestic players have to rely on heavy dependence on import and import policy.

### Analytical approach:

SMERA has considered the standalone business and financial risk profile of Sri Palani Andavar & Co (SPAC)

### Outlook – Stable

SMERA believes that SPAC will maintain its credit risk profile over the medium term backed by its experience management. The outlook may be revised to 'Positive' in case the firm reports higher than projected revenue growth and profit margins or improvement in financial profile. The outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.90	11.66	3.82
EBITDA	Rs. Cr.	0.57	0.57	0.17
PAT	Rs. Cr.	0.13	0.39	0.17
EBITDA Margin	(%)	3.85	4.85	4.37
PAT Margin	(%)	0.87	3.38	4.37
ROCE	(%)	6.57	11.36	11.68
Total Debt/Tangible Net Worth	Times	3.00	1.54	0.20
PBDIT/Interest	Times	1.31	3.37	1,120.87
Total Debt/PBDIT	Times	4.29	1.74	0.35
Gross Current Assets (Days)	Days	288	183	157

### Any other information:

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

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

None

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
Apr 24, 2017	Cash Credit	Long Term	4.00	SMERA B+/Stable (Assigned)
	Bank Guarantee / Letter of Guarantee	Short Term	1.35	SMERA A4 (Assigned)

	Proposed Fund-based Facility	Long Term	2.65	SMERA B+/Stable (Assigned)
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#### \*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.	4.00	SMERA B+/Stable (Reaffirmed)
Bank Guarantee / Letter of Guarantee	N.A.	N.A.	N.A.	1.00	SMERA A4 (Reaffirmed)
Proposed Facility	N.A.	N.A.	N.A.	3.00	SMERA B+/Stable (Reaffirmed)

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#### ABOUT SMERA

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