

Press Release

United Teleservices Limited (UTL)

February 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned Rs.15.00 crore bank facility of United Teleservices Limited (UTL).

UTL, incorporated in 2011 is an authorised distributor of 'Gionee' mobile handsets across West Bengal, Sikkim and Andaman & Nicobar Islands.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoters possess experience of around 20 years in a similar industry. Prior to being associated with Gionee mobiles, the company was a distributor of Micromax and Zen mobiles.

Wide distribution network: The company is an authorised distributor of Gionee mobiles in West Bengal, Sikkim and Andaman & Nicobar Islands.

Moderate working capital cycle: The working capital cycle is moderate with GCA of 73 days due to comfortable collection and inventory holding period of around 30 days each.

Weaknesses:

Low operating margins: The company has low operating margins of 1.77 per cent in FY2016 due to the trading nature of business.

High total outside liability to tangible net worth: The company's networth being low at Rs. 8.29 crore has led to high total outside liability to tangible net worth of 5.16 times as on 31 March, 2016.

High dependence on the performance of Gionee mobile: Since UTL is engaged in selling only Gionee mobile handsets, its revenue is highly dependent on the performance of Gionee in the market.

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

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>

About the Rated Entity

The Kolkata-based UTL was incorporated in 2011 by Mr. Mazibur Biswas, Mr. Dilwar Hossain, Mr. Golam Moinuddim and Mrs. Jasmin Mondal, Directors. The company is an authorised distributor of 'Gionee' mobile handsets across West Bengal, Sikkim and Andaman & Nicobar Islands.

For FY2015-16, UTL reported profit after tax (PAT) of Rs.1.60 crore on operating income of Rs.194.15 crore, as compared with profit after tax (PAT) of Rs.1.21 crore on operating income of Rs.211.11 crore in FY2014-15.

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
Letter of Credit	ST	15.00	SMERA A4+ (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
Letter of Credit	N.A	N.A	N.A	15.00	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Rating Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: +91-22-67141 160 Email: varsha.bist@smera.in
Reema Gangola, Rating Analyst, Tel: +91-22-6714 1111 Email: reema.gangola@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit 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) for the latest information on any instrument rated by SMERA.