

## Press Release

### United Teleservices Limited (UTL)

February 18, 2017

#### Rating Assigned

|                                     |                      |
|-------------------------------------|----------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.15.00 Cr          |
| <b>Short Term Rating</b>            | 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 Moinuddin 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:

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## ABOUT SMERA

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