

Press Release

03 May, 2017

Supreme Parradise

Rating Assigned

Total Bank Facilities Rated *	Rs. 5.50 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BB+**' (read as SMERA double B plus) on the above mentioned bank facilities of Supreme Parradise (SP). The outlook is '**stable**'.

Supreme Parradise (SP) was established in 2000 as a partnership firm by Mr. K. Vadivel, Mrs. R. Bhanumathi, Mr. S A Radhakrishnan and Ms. S. Bharathi. The firm sells mobiles of major brands including Samsung, Sony, Apple and Micromax through its 11 outlets in Coimbatore, Tirupur, Madurai and Salem.

Key Rating Drivers

Strengths

- **Experienced management**

SP was promoted by Partners, Mr. K. Vadivel, Ms. R. Bhanumathi, Mr. S A Radhakrishnan and Ms. S Bharathi who possess experience of over two decades in the electronic goods industry.

- **Healthy revenue growth**

The operating income stood at Rs.145.62 cr in FY2016 as compared to Rs.106.55 cr in FY2015. For 9MFY2017 (Provisionals), the operating income stood at Rs.135.00 cr. SP registered healthy operating income growth of ~37 percent in FY2016 over FY2015 on account of increase in sales volume of ~25 percent with the opening of five new stores.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low net worth of Rs.5.71 cr as on 31 March 2016. The gearing (Debt to equity ratio) stood at 0.85 times as on March 31, 2016 as compared to 1.34 times as on March 31, 2015. The Interest coverage ratio (ICR) stood healthy at 3.03 times in FY2015- 16.

- **Diversified product portfolio**

SP caters to various brands including Samsung, Sony, Apple and Micromax. The firm also sells mobile accessories (mobile cases and covers, pen drives, power banks, ear phones, bluetooth speakers).

- **Comfortable working capital management**

SP has comfortable working capital management with Gross Current Assets (GCA) of 30 days on account of no debtor levels (since it is cash and carry) as against creditors of 8 days in FY2016. The average utilisation of cash credit has been moderate at ~85 percent in the last six months ended January 2016.

Weaknesses

- **Thin profit margins**

SP's operating profitability is low due to the trading nature of business. The operating profitability stood at 1.49 percent in FY2016 as compared to 1.27 percent in FY2015. The PAT margins stood at 0.92 percent in FY2016 as against 0.88 percent in FY2015.

- **Intensely competitive consumer electronics industry**

SP faces stiff competition from multinational players with huge advertising budgets. Further, the industry is characterised by large number of dealers selling various mobile brands.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Supreme Parradise to arrive at the rating.

Outlook: Stable

SMERA believes that SP 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 registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

FY2015-16, SP registered profit after tax (PAT) of Rs.1.34 cr on operating income of Rs.145.62 cr as against net profit of Rs.0.94 cr on operating income of Rs.106.55 cr in the previous year. The net worth stood at Rs.5.71 cr as on 31 March 2016 as compared to Rs.2.45 cr as on 31 March, 2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A.

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>

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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