

Press Release

24 November, 2017

Alphavector India Private Limited (AIPL)

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated *	Rs. 7.98 cr
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA B**' (read as **SMERA B**) and reaffirmed the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.98 crore bank facilities of Alphavector India Private Limited (AIPL). The outlook is '**Stable**'.

The Mumbai-based Alphavector India Private Limited (AIPL) was incorporated in 1987. The company is a licenced merchandiser for distribution of toys, bicycles, apparels and others of reputed brands including Huffy, Funko and Buffalo. The operations commenced in 2015 and are led by Mr. Sachin Chopra.

Key Rating Drivers

Strengths

Experienced management

AIPL commenced operations from 2015. The company was promoted by Mr. Sachin Chopra, and others who have around a decade of experience in the finance and distribution industry. The extensive experience has enabled the company forge healthy relations with customers and suppliers. SMERA believes that AIPL will continue to benefit from its experienced management and established relationships with customers.

Reputed clients

AIPL caters to reputed clients such as Hamleys, Crossword, Amazon, Imperial Cycles, Soumya International, Trent among others.

Weaknesses

Limited track record of operations, small scale of business

AIPL commenced operations in April 2015. The operating income increased by 81.54 per cent from Rs.5.39 crore in FY2015-16 to Rs.9.78 crore in FY2016-17.

Average financial risk profile

AIPL has an average financial risk profile marked by net worth of Rs.6.88 crore as on 31 March, 2017 compared to Rs.2.92 crore as on 31 March, 2016. The gearing stood comfortable at 0.19 times as on 31

March, 2017 compared to 0.70 times in the previous year. The total debt of Rs.1.30 crore as on 31 March, 2017 consists of working capital facility. The interest coverage ratio stood at 3.25 times in FY2016-17 and 2.63 times in FY2015-16. The total outside liability to Tangible net worth (TOL/TNW) stood at 0.75 times as on 31 March, 2017. SMERA believes that the financial risk profile of the company will remain moderate in the absence of major debt funded capex in the medium term.

Working capital intensive operations

The operations are working capital intensive marked by GCA (Gross Current Assets) days of 324 in FY2016-17 and 500 in FY2015-16 on account of high inventory days of 170 in FY2016-17 (PY: 240 days) and debtors days of 152 days in FY2016-17 (PY: 153 days). Further the working capital facility has been fully utilised.

Competitive and fragmented industry

AIPL operates in a highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

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

Outlook: Stable

SMERA believes that AIPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers revenues as projected along with improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile or debt funded capex undertaken by the company.

About the Rated Entity - Key Financials

For FY2016-17, AIPL reported profit after tax (PAT) of Rs.0.46 crore on operating income of Rs.9.78 crore, compared with PAT of Rs.0.22 crore on operating income of Rs.5.39 crore in FY2015-16. The net worth stood at Rs.5.38 crore as on 31 March, 2017 compared to Rs.2.92 as on 31 March, 2016.

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>
- 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>

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
10-May, 17	Cash Credit	Long Term	2.25	SMERA B (Indicative)
	Letter of Credit	Short Term	3.00	SMERA A4 (Indicative)
11-Feb, 16	Cash Credit	Long Term	2.25	SMERA B / Stable (Assigned)
	Import Letter of Credit	Short Term	3.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.98 (Enhanced from Rs.2.25 crore)	SMERA B+ / Stable (Upgraded)
Import Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00 (Enhanced from Rs.3.00 crore)	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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