

Press Release

Huns Digital Homes Private Limited

May 12, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.00 crore bank facility of Huns Digital Homes Private Limited. The outlook is '**Stable**'.

The Maharashtra-based Huns Digital Homes Private Limited (HDHPL) was incorporated in 2002 by Mr. Pravin Ranka, Mr. Mahendra Ranka & Mr. Ashok Ranka. The company is a distributor of Panasonic and Philips home appliances such as LED TV's, Air Condition, Refrigerators, Washing Machines, etc. HDHPL is also engaged in trading of electronic products and home appliances for other brands in Pune location.

List of key rating drivers and their detailed description

Strengths:

Experienced Management: HDHPL benefits from its experienced management. The directors' viz. Mr. Pravin Ranka, Mr. Mahendra Ranka and Mr. Ashok Ranka have more than 15 years of experience in the trading of electronic products and home appliances.

Weaknesses:

Declining operating income: The operating income of HDHPL has declined to Rs. 18.50 cr in FY 2015-16 from Rs. 19.95 cr in the previous year on account of fall in orders. As per provisional financials, the company has registered operating income of Rs. 17.92 cr for FY 2016-17.

Weak financial risk profile: HDHPL's weak financial risk profile is marked by high gearing of 4.74 times as on March 31, 2016 and low interest coverage ratio of 1.20 times in FY 2015-16. The net worth stood low at Rs 1.76 cr as on March 31, 2016. The rating remains constrained by the aggressive capital structure and weak debt protection metrics.

Working capital intensive operations: The operations of HDHPL are working capital intensive marked by gross current asset (GCA) of 245 days during FY 2015-16 as compared to 171 days in FY 2014-15. The inventory days are high at 145 in FY 2015-16 as against 100 days in FY 2014-15. The debtor days also stood high at 88 days in FY 2015-16 compared to 58 in FY2014-15. Further, the bank limit utilisation of the company is fully utilised and stands at around 95 to 100 per cent for six months ended March 31, 2017.

Competition from various organized and unorganized players as well as online stores: HDHPL faces stiff competition from other distributors/retailers of electronics and consumer durable goods in the vicinity. Further, it also faces competition from various online stores which provide convenience in online shopping with early delivery and easy cash payment facilities.

Analytical approach: SMERA has considered standalone financial and business risk profile of HDHPL to arrive at the rating.

Outlook: Stable

SMERA believes HDHPL will maintain a stable business risk profile over the medium term owing to experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity – Key Financials

For FY2015-16, HDHPL reported profit after tax (PAT) of Rs.0.10 cr on total operating income of Rs.18.50 cr as compared with PAT of Rs.0.08 cr on total operating income of Rs.19.95 cr in FY2014-15. The tangible net worth stood at Rs.1.76 cr as on March 31, 2016 as compared to Rs.1.66 cr as on March 31, 2015.

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>

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	5.00	SMERA B/Stable (Assigned)

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Nilesh Gupta, Senior Analyst - Rating Operations, Tel: 022-67141120 Email: nilesh.gupta@smera.in	

ABOUT SMERA

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