

Press Release

Kisha Telelinks Private Limited (KTPL)

15 May, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.6.50 Cr
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.6.50 cr bank facilities of Kisha Telelinks Private Limited (formerly known as KGR Telelinks Private Limited).

Kisha Telelinks Private Limited (KTPL) incorporated in 2004 is a Mumbai based company engaged in trading of mobile handsets and accessories. The company exports mobile handsets and accessories to Dubai and Hong Kong. Further, KTPL is also engaged as a distributor of Micromax, Vivo and Reliance Jio handsets in Goa.

List of key rating drivers and their detailed description

Strengths

Experienced management: The management of KTPL has over two decades of experience in the consumer electronics industry. Thus the management has been able to forge healthy relationships with suppliers and repetitive orders from customers.

Average financial risk profile: KTPL's has an average financial risk profile marked by gearing (debt-to-equity) of 0.98 times as on 31 March 2016 (0.54 times as on 31 March 2015). Tangible net worth of Rs.5.01 cr as on 31 March 2016 includes unsecured loans from promoters to the tune of Rs.3.59 cr which are subordinated to bank debt. Interest coverage ratio improved to 1.72 times for FY2015-16 from 1.34 times for FY2014-15. Total debt mainly comprises of working capital borrowings.

Weaknesses

Uneven revenue trend: KTPL's revenues are uneven during the period under study. The company's revenues declined from Rs.102.58 cr in FY2013-14 to Rs.59.51 cr in FY2014-15 due to fall in prices in its overseas markets. However, in FY2015-16 the company achieved revenues of Rs.102.62 cr on account of catering to domestic market for distribution of Vivo, Micromax, Reliance and Jio handsets and data services. As per FY2016-17 (provisional) the revenues have declined to Rs.95.00 cr as domestic market sales were hampered due to demonetisation drive.

Thin profitability susceptible to currency fluctuation: KTPL operates on thin profit margins due to trading nature of business: KTPL has achieved operating margin of 1.33 percent and PAT (profit after tax) margin of 0.35 percent for FY2015-16 as against the operating margin of 1.72 percent and PAT margin of 0.54 percent for FY2015. Further, around 65.00 percent of company's revenue is derived from exports hence its profitability remains susceptible to currency fluctuations.

Highly competitive and fragmented industry: KTPL operates in an industry which is characterized by intense competition from domestic and foreign players'. The entry barriers are low which results in thin margins. The industry is also prone to technology changes and customer preferences.

Revenue susceptibility to regulatory changes in overseas market: KTPL mainly exports to UAE and Hong Kong where there is no import duty restrictions on these products. Any adverse regulatory changes in these economies would also have an adverse impact on the revenues of KTPL.

Analytical approach: SMERA has considered the standalone business and financial risk profile of KTPL for arriving at the ratings.

About the Rated Entity - Key Financials

For FY2015-16, KTPL reported net profit of Rs.0.36 cr on operating income of Rs.102.62 cr, as compared with net profit of Rs.0.32 cr on operating income of Rs.59.51 cr in FY2014-15. The net worth stood at Rs.5.01 cr as on 31 March, 2016 as against net worth of Rs.4.56 cr a year earlier.

Applicable Criteria:

- Trading Entity - <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>

Status of non-cooperation with previous CRA – Not Applicable

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

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

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Post Shipment – Packing Credit	ST	4.00	SMERA A4 (Reaffirmed)	10 May 2016	SMERA A4 (Assigned)	-	-	-	-
Bank Guarantee/Letter of Guarantee	ST	2.50	SMERA A4 (Reaffirmed)	10 May 2016	SMERA A4 (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Post Shipment – Packing Credit	N.A.	N.A.	N.A.	4.00	SMERA A4 (Reaffirmed)
Bank Guarantee/Letter of Guarantee	N.A.	N.A.	N.A.	2.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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