

## Press Release

### Neosa Electronics Private Limited

May 31, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 24.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 24.00 crore bank facilities of Neosa Electronics Private Limited. The outlook is '**Stable**'.

Neosa Electronics Private Limited (NEPL), promoted by Mr. Balaram Chowdhury and Mr Ram Krishna Saha, is a distributor of consumer durables.

#### Key Rating Drivers

##### Strengths

- **Long operational track record and experienced management**

NEPL is engaged in the distribution of consumer durables (television, music systems, cameras, washing machines among others of Sony, Whirlpool and Micromax) since 1986. The promoters possess extensive experience in the industry and the day-to-day operations are managed by Mr. Arun Poddar, Director.

- **Diversified product portfolio**

The company has a diversified product range. Additionally, it also is a distributor of Micromax mobile phones.

##### Weaknesses

- **Low profitability due to trading nature of operations**

The profitability is low due to the trading nature of operations. The operating margins have been low at 2.36 percent in FY2016 as compared to 2.52 percent in FY2015. The net profitability stood at a low of 0.07 percent in FY2016 and FY2015 on account of high interest expenditure on working capital loans.

- **Average financial risk profile**

NEPL's average financial risk profile is marked by moderate net worth base of Rs.13.02 crore, debt equity of 2.22 times and interest coverage ratio of 1.18 times in FY2016. Also, Net Cash accruals to Total Debt (NCA/TD) stood at 0.02 times and Debt Service Ratio (DSCR) at 1.11 times in FY2016.

- **Moderate working capital management**

The working capital management is marked by gross current assets days of 98 in FY2016 as against 116 days in FY2015. However, the stretch is on account of high year-end inventory and debtors that stood at 33 and 37 days in FY2016 as against 44 and 58 days in FY2015.

##### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

##### Outlook: Stable

SMERA believes that NEPL will maintain a stable outlook owing to its experienced management and strong business risk profile. The outlook may be revised to 'Positive' in case the company increases its profitability while improving its debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in debt protection metrics.

#### About the Rated Entity - Key Financials

The company reported Profit After Tax (PAT) of Rs 0.12 crore on operating income of Rs 164.83 crore in FY2015-16, as against PAT of Rs 0.12 crore on operating income of Rs 172.48 crore in FY2014-15. For FY2017, the company registered revenue of Rs.165 crore (Provisional).

#### 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 (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/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	SMERA BB- / Stable

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#### ABOUT SMERA

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