

Press Release

Neosa Electronics Private Limited

May 31, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	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

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Shreya Vaidya Analyst - Rating Operations Tel: 033-66201217 shreya.vaidya@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is

a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*
