

Press Release

Iserve Solutions & Services Private Limited (ISSPL)

02 June, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 45.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 45.50 crore bank facilities of Iserve Solutions & Services Private Limited (ISSPL). The outlook is '**Stable**'.

ISSPL, a Kolkata-based company was promoted by Mr. Rajesh Agarwal and Mrs. Sradha Rathi. The company is an authorised distributor of Dell laptops in Kolkata. The day-to-day operations are managed by Mr. Rajesh Agarwal.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. Rajesh Agarwal and Mrs. Sradha Rathi have more than a decades experience in the electronics industry particularly in the distribution of computer hardware and related peripherals. The extensive experience has helped the company establish comfortable relations with both - OEMs and customers. ISSPL is the sole distributor for Dell International Services India Private Limited in West Bengal.

- **Average financial risk profile**

The average financial risk profile is marked by high gearing, average debt protection metrics and low network. The gearing stood at a high of 2.58 times and interest coverage at 1.75 times in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.04 and Debt Service Coverage Ratio (DSCR) at 1.54 times in FY2016. The network was low at Rs.9.94 crore as on 31 March, 2016. For FY2017, the gearing stood at 2.33 times (Provisional) and interest coverage at 1.58 times.

- **Healthy scale of operations**

ISSPL registered revenue of Rs. 165.90 crore in FY2016, a 13 per cent growth from Rs.147.06 crore in FY2015 and Rs 150 crore (Provisional) till February 2017. The company registered CAGR of 9.6 per cent in the last three years ended FY2016. Since FY2017, the company has begun distribution of Tally software.

Weaknesses

- **Thin profit margin**

ISSPL has low operating margin of 1.87 per cent in FY2016 compared to 1.76 per cent in FY2015. The net profit margin increased to 0.54 percent in FY2016 from 0.50 percent in FY2015. However, the profits are thin due to the trading nature of business and high interest payment.

• Working capital intensive operations

The operations are working capital intensive marked by gross current asset days of 152 during FY2016 and FY2015. The inventory days have been high at 119 days in FY2016 on account of the high inventory that the company needs to maintain. The debtor days stood at 40 in FY2016. The company allows a credit period of 30-45 days on an average to its dealers.

Analytical Approach

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

Outlook: Stable

SMERA believes that ISSPL will continue to maintain a stable outlook over the medium term owing to the promoters' vast experience and established relations with DISIPL. The outlook may be revised to 'Positive' if ISSPL achieves more than envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16 the company reported Profit After Tax (PAT) of Rs.0.89 crore on total operating income of Rs. 165.90 crore as compared to PAT of Rs.0.73 crore on total operating income of Rs.147.06 crore in FY2014-15.

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>

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
Proposed Channel Financing	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BB / Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BB / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+

Contacts

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

ABOUT SMERA

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