

Press Release

Iserve Solutions & Services Private Limited (ISSPL)

May 22, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

ISSPL was established in 2006 by Mr. Rajesh Agarwal and Mrs. Sradha Rathi as a closely held company. The company is an authorized distributorship of Dell International Services India Private Limited in Kolkata.

Key Rating Drivers

Strengths

• Experienced management and long track record of operation

ISSPL was established in 2006 by Mr. Rajesh Agarwal and Mrs. Sradha Rathi. The promoters of the company have more than one decade of experience in the electronics industry.

• Healthy scale of operation

The scale of operations of the company are at healthy levels with a turnover of around Rs. 175.92 crores in FY'2017 as compared to Rs. 165.90 crores in the previous year thereby registering a year on year growth of around 6 percent due to increase in trading of Dell products. Its revenue at a grown at a CAGR of 6.15 per cent in the last three years ended FY2017. The company has booked Rs.210.55 crore till 31st March 2018 (Provisional).

Weaknesses

• Thin profit margin

The operating margin of the company stands low at 2.68 per cent FY2017 as compare to 1.87 per cent in FY2016. The marginal improvement is mainly due to decrease in selling expenses. The PAT margin of the company stood low at 0.74 per cent in FY2017 as compare to 0.54 per cent in FY2016. The low profitability margin is in line with the trading nature of operations.

• Working capital intensive nature of operation

The operations of ISSPL are working capital intensive in nature marked by gross current asset (GCA) days of 200 in FY 2017 and 153 days in FY 2016 mainly on account of high inventory the company has to maintain in warehouse and as display items. Inventory days stood at 109 days in FY 2017 and FY2016 respectively. The company on an average hold inventory of 70-100 days. In addition the debtor days stands at 87 days in FY 2017 and 40 days in previous year.

• Average financial risk profile

The financial risk profile of the company is marked by its moderate net worth, high gearing and moderate interest coverage ratio and average debt protection measures. The networth levels of the company stood moderate at Rs.12.22 crore as on 31st March 2017 as compare to Rs.9.94 core in previous year. The gearing of the company stands high at 2.70 times as compare to 2.58 times in the previous year. The total outside liability against total tangible net worth (TOL/TNW) is at 7.15 times in FY2017 as compare to 6.29 times in previous year. Total debt of Rs 32.99 crore consist of long term debt of Rs 0.34 crore out of which Rs 0.34 crore is of unsecured loan and the balance is short term loan and Rs 32.65 crore from bank. Moreover, Net Cash Accruals to Total Debt (NCA/TD) is at 0.05 times in FY2017 as compare to 0.04 times in the previous. Debt Service Coverage Ratio (DSCR) is at 1.54 times in FY2016.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of ISSPL.

Outlook: Stable

SMERA believes that ISSPL will continue to benefit over the medium term . 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 firm fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	175.92	165.90	147.06
EBITDA	Rs. Cr.	4.71	3.10	2.59
PAT	Rs. Cr.	1.30	0.89	0.73
EBITDA Margin	(%)	2.68	1.87	1.76
PAT Margin	(%)	0.74	0.54	0.50
ROCE	(%)	11.54	10.58	11.30
Total Debt/Tangible Net Worth	Times	2.70	2.58	2.09
PBDIT/Interest	Times	1.78	1.75	1.91
Total Debt/PBDIT	Times	6.81	7.22	6.57
Gross Current Assets (Days)	Days	200	153	153

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-June-2017	Proposed Channel Financing	Long Term	INR 22.00	SMERA BB /Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	INR 12.50	SMERA BB /Stable (Assigned)
	Overdraft	Long Term	INR 5.00	SMERA BB /Stable (Assigned)
	Bank Guarantee / Letter of Guarantee	Short Term	INR 6.00	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
Channel Financing	Not Applicable	Not Applicable	Not Applicable	INR 38.00	SMERA BB/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	INR 1.50	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	INR 6.00	SMERA A4+ (Reaffirmed)

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