

Press Release

Syska E-Retails LLP (SEL)

08 November, 2017



Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA A-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA A-**' (**read as SMERA A minus**) to the above mentioned bank facilities of Syska E-Retails LLP (SEL). The outlook is '**Stable**'.

The Pune-based SEL, established in 2015 was promoted by Ms. Honey Uttamchandani (daughter of Mr. Govind Uttamchandani) and Ms. Gitika Uttamchandani (daughter of Mr. Rajesh Uttamchandani). The company is engaged in the trading of SYSKA brand of products which includes lighting products (LED bulbs, tube lights, panel lights etc), personal grooming products (trimmers, shavers, hair straighteners, irons, etc.) and several other (power banks, bluetooth speakers) through e-commerce platforms. The firm procures goods from group companies namely SYSKA LED Lights Private Limited (SLLPL) and Shree Sant Kripa Appliances Private Limited (SSKAPL) and sells to online portals like Amazon, Flipkart, PayTM, Snapdeal, Tata Cliq to name afew.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Syska E-Retails LLP (SEL), Shree Sant Kripa Appliances Private Limited (SSKAPL), SYSKA LED Lights Private Limited. (SLLPL), Bagh Bahar Appliances Private Limited (BBAPL), SSK Retails Private Limited (SRPL), SSK Infotech Private Limited (SIPL) together referred to as the 'SYSKA Group'. The consolidation is in view of the common management, strong operational and financial linkages between the entities.

List of key rating drivers and their detailed description

Strengths

Experienced management and established track record of operations

The SYSKA group was promoted by Mr. Govind Uttamchandani (B.Tech-Chemical Engineer), MBA and Mr. Rajesh Uttamchandani (B.E- Mechanical). Over the last three decades, the Uttamchandani brothers have developed extensive business experience in the distribution of - T-Series, Philips, LG, and Nokia. The company has been dealing with Samsung since 2008. Mr. Govind leads marketing, brand management, expansion of business regions/products, drives dealer relationships and relations with Samsung across five states while Mr. Rajesh heads

financial matters, banking inventory management, logistics, administration, expansion of business regions/products, etc.

Diversified product portfolio and wide distribution network

The SYSKA Group's product portfolio includes Samsung mobile phones (in five states of Gujarat, Maharashtra, Goa, Madhya Pradesh and Chattisgarh), 'Syska' brand of products (across India), consumer electronics, home appliances of Samsung India (in Maharashtra and Goa). The group has a wide distribution network of more than 22,000 dealers/retailers. The group also operates a retail chain of 26 stores for selling Samsung mobiles and accessories. It has also diversified into Variable data printing, security data printing, i.e. Printing of Cheque Books (IBA licensed company), bank statements, card statements, etc.

Healthy revenue growth

The SYSKA Group reported operating income of Rs.9690.63 crore in FY2017 (Provisional) as against Rs. 8515.61 crore in FY2016 and Rs. 8206.08 crore in FY2015. For the period April 2017 to September 2017, the group booked revenue of ~Rs. 5800.00 crore. The sustained improvement in revenue is mainly on account of increased revenue from distribution of Samsung mobile phones and SYSKA products.

SMERA believes that, the SYSKA group will sustain improvement in revenues in the medium term on the back of increasing demand of LED lights, introduction of new models of mobile phones and expansion of geographies.

Above average financial risk profile and sound liquidity position

The financial risk profile of the SYSKA Group is moderate marked by adjusted tangible net worth of Rs. 482.30 crore as on 31 March, 2017 (Provisional) as against Rs. 378.82 crore in the previous year. It includes unsecured loan of Rs. 63.15 crore, treated as quasi as on 31 March, 2017 (Provisional). The adjusted gearing (total debt to adjusted net worth) stood at 2.01 times as on 31 March, 2017 (Provisional) as against 2.23 times as on 31 March, 2016. The debt of Rs. 970.49 crore mainly consists of term loan of Rs. 60.67 crore and working capital borrowings of Rs. 909.75 crore as on 31 March, 2017 (Provisional). The Interest Coverage Ratio (ICR) stood at 1.79 times for FY2017 (Provisional) as against 1.61 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.52 times for FY2017 (Provisional) as against 1.46 times in FY2016. The total outside Liabilities/Tangible net worth (TOL to TNW) stood at 2.59 times as on 31 March, 2017 (Provisional) as against 3.08 times in the previous year. The net cash accruals/total debt (NCA to TD) stood at 0.06 times as on 31 March, 2017 (Provisional) as against 0.06 times as on 31 March, 2016.

SMERA believes that the financial risk profile will remain moderate in the medium term mainly due to healthy net worth base and steady accruals.

Comfortable working capital cycle

The working capital cycle of the SYSKA Group is comfortable marked by GCA of 59 days in FY2017 (Provisional) as against 58 days in FY2016. The GCA is mainly dominated by debtors of 39 days in FY2017 (Provisional) as against 32 days in FY2016. The group has steady and

healthy net cash accruals of Rs. 59.00 crore in FY2017, Rs. 50.13 crore in FY2016 and Rs. 50.43 crore in FY2015 as against no debt obligation. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Supplier concentration risk

While major revenue of the group comes from SSKAPL, around 99 percent revenue is generated through distribution of Samsung mobile phones resulting in the group being exposed to supplier concentration risk. To mitigate this risk, the group has begun expansion of its business in the LED segments via establishment of SYSKA brand in 2014 through SLLPL to improve margins and reduce concentration risk in the near to medium term.

Highly competitive and fragmented industry marked by high obsolescence risk

The Indian mobile industry is extremely dynamic with new product launches taking place at a rapid pace swaying the market share of existing players. Similarly, emergence of new technology can impact inventory values of existing players and affect the overall credit performance. The intense competition in the industry and high product obsolescence are other risk factors that the company is exposed to.

Outlook: Stable

SMERA believes that the SYSKA GROUP will maintain a stable outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in group's revenue and profitability or if the financial risk profile weakens, because of stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Group

SYSKA Group has following companies:

1. Shree Sant Kripa Appliances Pvt. Ltd.(SSKAPL)

Shree Sant Kripa Appliances Pvt. Ltd. (SSKAPL) was incorporated in 2006. The company has been associated with Samsung India Electronics Pvt. Ltd. for trading cum distribution of Samsung Mobiles across five states in India i.e. Gujarat, Maharashtra, Goa, Madhya Pradesh and Chhattisgarh.

2. SYSKA LED Lights Pvt. Ltd.(SLLPL)

SYSKA LED Lights Pvt. Ltd. was incorporated in 2012 and commenced operations in FY2013-14. The company is engaged in the trading and assembly of LED Lights, personal care products, mobile cum electronic products under the 'SYSKA' brand named.

3. Bagh Bahar Appliances Pvt. Ltd.(BBAPL)

Bagh Bahar Appliances Pvt. Ltd. (BBAPL) was incorporated in 1997. The company has been associated with various MNC brands for distribution of electrical appliances. Since 2002, the company has been associated with Samsung India Electronics Pvt. Ltd. for consumer electronics business across five districts in Maharashtra and Goa.

4. SSK Retails Pvt. Ltd. (SRPL)

SSK Retails Pvt. Ltd. was incorporated in 2008. The company is engaged in the business of retail chain of Samsung Mobiles and Samsung Mobile Accessories. The company has around 26 retail outlets across western India wherein Samsung Mobiles and accessories are sold to retail customers.

5. SSK Infotech Pvt. Ltd. (SIPL)

SSK Infotech Pvt. Ltd. was incorporated in 2006. The company is into variable security data printing business. The company prints cheque books of various banks i.e. SBI, Axis Bank, IDBI, Bank of Maharashtra, IndusInd Bank, etc. and also prints account statements of Axis bank, MSEB electricity bills, MTNL bills, Karvy Statements, etc. The company is one of the top five players for printing in India.

6. Syaka E-Retails LLP (SEL)

Based out of Pune, SEL was established in 2015. The company, promoted by Ms. Honey Uttamchandani and Ms. Gitika Uttamchandani is engaged in the trading of SYNSKA Brand Products through the e-commerce platform.

About the Rated Entity - Key Financials

SEL reported profit after tax (PAT) of Rs. 0.36 crore on net sales of Rs. 26.59 crore in FY2017 as against PAT of Rs. 0.00 crore on net sales of Rs. 0.21 crore in FY2016. The net worth stood at Rs. 2.76 crore as on 31 March, 2017 compared to Rs. 0.61 crore as on 31 March, 2016.

About the Group - Key Financials

The SYNSKA GROUP reported profit after tax (PAT) of Rs. 49.35 crore on operating income of Rs. 9690.63 crore in FY2017 (Provisional) as against PAT of Rs. 40.28 crore on net sales of Rs. 8515.61 crore in FY2016. The net worth stood at Rs. 482.30 crore as on 31 March, 2017 (Provisional) compared to Rs. 378.82 crore as on 31 March, 2016.

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

Not Applicable

Any other information:

Not Applicable

Applicable Criteria

- Trading entities-<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>

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A- / Stable

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