

**Press Release**  
**Syska E-Retails LLP**

**July 20, 2022**



**Rating Reaffirmed**

| Product                            | Quantum (Rs. Cr) | Long Term Rating                | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings                  | 15.00            | ACUITE A-   Stable   Reaffirmed | -                 |
| Total Outstanding Quantum (Rs. Cr) | 15.00            | -                               | -                 |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                               | -                 |

**Rating Rationale**

Acuite has reaffirmed its long-term rating of 'ACUITE A-' (read as ACUITE A minus) on the Rs. 15.00 crore bank facilities of SYSKA E-Retails (SELLP). The outlook remains '**Stable**'.

**Rationale for Rating Reaffirmation**

The rating reaffirmation considers the decline in FY2021 in SYSKA Group's (SG) performance. Its revenue declined to Rs. 5235 Cr. in FY2021 against Rs. 9162 Cr. in FY2020. This decline has continued in FY2022 and revenue for 9M FY2022 (Provisional) stood at Rs. 3000 Cr. This decline is primarily on account of disruptions caused by the spread of Covid 19 and the Group's limited presence in the online market which has been the preferred mode of electronic shopping during the pandemic. However, the Group has been able to maintain its operating profitability which stood at 3.92 percent in 9M FY2022 and 3.09 percent in FY2021. The rating downgrade also considers the deterioration in the liquidity profile on account of elongation in its working capital cycle. The Group's GCA days stood at 154 days in FY2021 against 79 days in FY2020. This has led to higher dependence on working capital limits and the bank limit utilization stood over 95 percent for March 31, 2022. The rating continues to consider the established operational track record and position of the Group in the mobile distribution business, experience of the management and comfortable financial risk profile. Acuite also notes that the promoters have currently diluted their stake in SLLPL (defined below) up to 30 percent and new investor (Mr. Rakesh Jhunjhunwala) has come in. The promoter's stake is expected to gradually go down to 51 percent in next three years. Acuite expects the Group's operating and financial risk profile to improve on account of technical expertise and investment from the new investor over the medium term. The Group's ability to increase its scale of operations and improve its working capital cycle will continue to remain a key rating sensitivity.

**About the Firm**

Based out of Pune, Maharashtra, SELLP was established in 2015 and is promoted by Ms. Honey Uttamchandani and Ms. Gitika Uttamchandani. The firm is engaged in the trading of SYSKA Brand Products such as LED Bulbs, Tube Lights, Panel Lights, Irons, Fans, Extension Boards, Power Banks, Bluetooth, Speakers, and Personal Care grooming products for both men and women through E - Commerce Platforms. The firm procures goods from group companies named SLLPL & SSKAPL and sells to online portals like Amazon, Flipkart, PayTM, Snapdeal, Tata Cliq, etc.

## About the Group

SYSKA Group comprises of 6 companies, namely Shree Sant Kripa Appliances Private Limited (SSKAPL), Syska E-Retails LLP (SELLP), SYSKA LED Lights Private Limited (SLLPL), Bagh Bahar Appliances Private Limited (BBAPL), SSK Retails Private Limited (SRPL) and SSK Infotech Private Limited (SIPL). The group is primarily engaged in mobile distribution business exclusively for Samsung under its flagship company SSKAPL. The group is also engaged in the manufacturing and trading of LED lights, home wires, irons, fans and personal care and grooming products under their own brand name of 'SYSKA'. BBAPL is the exclusive distributor for Samsung mobiles across Pune and its outskirts, LG home appliances in Pune district and Haier home appliances in Mumbai region. SRPL currently operates 26 Samsung Smart Phone Cafes across India. SIPL provides electronic data services and solutions to telecom and multi-national companies; and printing and mailing activities such as printing of cheques and current/savings account statements, mainly for banks. SELLP is engaged in the trading of SYSKA Brand Products such as LED Bulbs, Tube Lights, Panel Lights, Irons, Fans, Extension Boards, Power Banks, Bluetooth, Speakers, and Personal Care grooming products for both men and women through ECommerce platforms. SLLPL is engaged in the trading and manufacturing of LED Lights, grooming and personal care products and home wires, irons and fans under the 'SYSKA' brand name.

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Syska E-Retails LLP (SELLP), Shree Sant Kripa Appliances Pvt. Ltd. (SSKAPL), SYSKA LED Lights Pvt. Ltd. (SLLPL), Bagh Bahar Appliances Pvt. Ltd. (BBAPL), SSK Retails Pvt. Ltd. (SRPL), SSK Infotech Pvt. Ltd. (SIPL) together referred to as the 'SSK Group' (SG). The consolidation is in view of the common management, strong operational & financial linkages between the entities and personal guarantee of Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani for the bank facilities of SELLP.

## Key Rating Drivers

### Strengths

#### **Strong support from the SYSKA Group and established position in the mobile distribution business**

SYSKA Group (SG) is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani. The promoters of the group have an extensive experience of over three decades in various industries like distribution business and manufacturing segment. The group is engaged in the distribution of Samsung products, manufacturing and trading of LED lights, grooming & personal care products, irons, fans and home wires under the brand name of 'SYSKA'. The promoters in the past have demonstrated the ability to quickly reorient their business models based on changes in market conditions. Earlier, the promoters were engaged in the distribution business for T-Series cassettes and Nokia mobile phones. However, with entry of new players like SAMSUNG with newer technologies and stronger product pipelines, the promoters switched over from their earlier distributorships so as to maintain their revenue growth. SSKAPL, the flagship company of SYSKA Group, was established as a partnership firm in 2002. Later the constitution was changed to private limited in 2006. SSKAPL has established their brand position and a widespread distribution network in the mobile distribution business. Acuité believes the established brand position of 'SYSKA' and wide network along with long standing relations with distributors and dealers will help the group in establishing the presence of 'SYSKA' brand of products across India. In the future, revenue from trading and manufacturing business of 'SYSKA' brand of products is expected to partly de-risk the over dependence of the company on the distribution business of Samsung products. Acuité believes that large scale of operations of the group is well supported by the extensive experience of the promoters and a stable and well experienced management

team.

### **Long standing association with a strong principal and a widespread distribution network**

SSKAPL is the exclusive distributors of 'Samsung' brand for distribution of mobile handsets, accessories and tablets. Samsung is a multi-national conglomerate which is the world's largest information technology company, consumer electronics maker and chip maker under its industrial affiliate 'Samsung Electronics'. Samsung is present as a leading brand of consumer electronics in almost every major country of the world. Samsung is one of the global leaders in technology driven products and enjoys a huge customer base and a good brand image in India as well as abroad. Samsung is among the top 5 mobile handset selling companies in India since the last 10 years. SSKAPL has been associated with 'Samsung' since 2008 and has established a strong relationship with the brand. The SYSKA group of companies have varied line of businesses which include being the sole distributor of 'Samsung' mobiles and accessories. Further, the other companies in the group are engaged in the trading and manufacturing of LED lights, personal and grooming products, irons, fans and home wires. Having said that, the group has been in distribution business for over three decades. The group has long standing relation with its wide based distribution network. Previously the group was associated in the distribution business with 'T-Series' and 'Nokia'. The group has a strong pan India presence with more than 1000 distributors and over 1,00,000 dealers across the country. Acuité believes the long-standing relation with its wide based distributors and dealers will help the company distribute its own products under 'SYSKA' brand such as LED lights, mobile accessories and other products.

### **Comfortable financial risk profile**

The rating also derives comfort from the healthy financial risk profile marked by stable gearing and comfortable debt protection metrics. The financial risk profile of the group has been healthy marked by net worth of Rs. 604.08 crore as on 31 March 2021 as against Rs. 582.76 crore as on 31 March 2020. The gearing marginally increased to 2.27 times as on 31 March 2021 as against 2.23 times as on 31 March 2020 increase in debt. The total debt of Rs. 1369.66 crore outstanding as on 31 March 2021 comprises long term debt of Rs. 220 crore, unsecured loans from promoters and directors of Rs. 31 crore and working capital facility of Rs. 1119 crore from the bank. The increase in long term debt in FY2021 is on account of additional debt raised for a project which was later cancelled, and the debt was later paid off in FY2022. There has been a moderation in the coverage indicators on account of decline in operating performance. The Interest Coverage Ratio (ICR) declined to 1.24 times in FY2021 from 1.43 times in FY2020. For 9M FY2021 financial risk profile has remained stable. Gearing stood at 1.76 times and interest coverage ratio at 1.47 times. In FY2022 SG's promoters have diluted its stake in SLLPL and a new investor (Mr. Rakesh Jhunjhunwala) has come in. Mr. Jhunjhunwala has brought in technical expertise through his advisors to the promoters and has invested almost Rs. 500 Cr. in FY2022 with further investment of Rs. 250 Cr. over the next three year. This is expected to improve SG's financial risk profile as the proceeds will be used to reduce debt burden and for expanding scale of 'SYSKA' branded products. Going forward the gearing is expected to be in the range 0.50-1 times and interest coverage is expected to be increase in the range 1.3- 2.50 over the medium term. Acuite expects SG's financial risk profile to improve on account of expected improvement in its operating performance and investment by the new investors.

### **Weaknesses**

#### **Decline in scale of operations and elongation in working capital cycle**

There has been a significant decline in SG's scale of operations for the three-year period ended FY2021. Its revenue declined to Rs. 5235 Cr. in FY2021 against Rs. 9162 Cr. in FY2021 and Rs. 11004 Cr. in FY2020. This has further continued to decline in FY2022 and revenue for 9M FY2022 (Provisional) for Rs. 3000 Cr. This decline is primarily on account of disruptions caused by Covid 19 induced lockdowns, shift of consumer preference towards online shopping where SG has a limited presence and moderation in Samsung's market share in FY2022. There has also been decline in SG's SYSKA branded products. However, the SG has been able to maintain its operating profitability which stood in the range of 2-3 percent for three year period ended FY2021. Further, elongation has been also observed in SG's working capital cycle reflected in

the GCA days of 114 days in FY2021 against 67 days in FY2020. This has been primarily on account of stretch in SG's elongation receivable and inventory days. Its receivable and inventory days stood at 80 days and 61 days in FY2021 against 44 days and 33 days in FY2020 respectively. SG has not been able to collect from its channel partners on time as its channel partners have also faced challenges on account of Covid 19 induced lockdowns. This has continued in FY2022 as well and its receivable and inventory days stood at 81 and 98 days respectively for 9M FY2022. This has led to deterioration in SG's liquidity profile. Its dependency on bank limits has increased and average bank limit utilization stood over 95 percent for 6 month ended March 2022. Acuite believes SG's ability to improve its scale of operations and ability to improve its working capital cycle will continue to remain key rating sensitivities.

### **Susceptibility of SG's revenue profile to change in consumer preferences amidst intense competition**

SG's revenue profile is linked primarily to Samsung's ability to maintain a strong competitive position in India's intensely competitive mobile handset market. Although SG revenues from Samsung distributorship have declined over the past two years, however they still comprise around 80 percent of its overall revenues. Hence, its revenue trajectory is linked to Samsung's ability to continuously develop and introduce new models at various price points keeping in mind the ever changing consumer preferences. The Indian market has witnessed significant turbulence in the past wherein certain players like Nokia had to relinquish their leadership positions to other players on account of their relative inability to react to technological and market related changes. Samsung has been facing competitive pressures with respect to its market share in the mobile segment especially over the last 2 years. The advent of other companies like Xiaomi, Oppo, Vivo and Oneplus have proved to be intensely competitive in terms of features and value. The ability of these companies to continuously churn out newer models with a strong value proposition for the consumer has helped these other companies gain a significant share in the mobile market at the expense of larger players like Samsung. Samsung is still among the top 5 players in the Indian mobile market for the past 10 years. Since the SYSKA Group generates around 80 percent of their revenue through the sale of Samsung products, it has been highly dependent on the market share of Samsung India in the mobile market. Further, Samsung's ability to maintain its market share by adapting , and reinventing itself from time to time according to the changes in consumer preference will remain a key monitorable over the near to medium term. The revenue and margin profile of SG will also be influenced by Samsung's distribution policies and Samsung's strategy with regard to the Indian market. SSKAPL generally maintains inventory up to 20-25 days and hence the risk of technological obsolescence for Samsung mobile phones is significantly mitigated. The risk of facing a loss due to reduced selling price is mitigated as dealers/ distributors are compensated by Samsung for any loss suffered due to reduction in selling price by a pre-agreed policy. Besides the revenues from Samsung distributorship, the group also derives revenues from sale of products under SYSKA brand where they are able to generate higher margins. The revenue from the own branded products has been increasing over the past 2 - 3 years however it still remains around 20 percent of the overall revenue. The Group has plans to scale up this business with augmentation of product profile and infusion of additional funds to be raised from private equity. The ongoing COVID 19 pandemic has also had a significant impact on consumer preferences. It has led to higher adoption of online shopping as social distancing and stay at home were adopted. SG's has sales through online portal form a small percentage of its overall revenue. SG's limited presence in the online segment will impact their scale of operations to some extent going ahead e-commerce in India is expected grow. It is expected to reach USD 111 billion by 2024. Acuite believes the group's ability to improve scale of operations for their 'SYSKA' branded products will remain a key rating sensitivity over the medium term.

### **ESG Factors Relevant for Rating**

The industry's exposure to environmental risks is lower than its social and governance risks. The primary material issues for the industry include efficient use of energy, putting environmental management structures in places, GHG emissions, development of green products and services and emitting air pollutant emissions. Since the industry has a large amount of e-waste generation in manufacturing process as well as end use, waste management is also a key



material issue. Material efficiency is also important for the industry. For the computer & electronics manufacturing industry the quality of the product and the safety of the employees are important material issues. The community support and development initiatives taken by the companies in the industry are also a significant factor. Responsible procurement and supply chain transparency are crucial for evaluating the performance of the industry players. For the computer & electronics manufacturing industry, upholding fundamental business ethics is the most pertinent material issue. Factors such as management compensation, board independence, compensation and diversity are relevant to the industry. Audit committee functioning, financial audit and control, takeover defense mechanisms and shareholder rights are also important key issues.

### Rating Sensitivities

Ability to improve scale of operations while maintaining profitability  
Ability to improve working capital cycle

### Material Covenants

None

### Liquidity Position: Adequate

The Group generated cash accruals of Rs. 27-50 crore during the last three years through 2021, while its maturing debt obligations were in the range of Rs. 19-31 crore over the same period. The cash accruals of the group are estimated to remain around Rs. 23 crore – Rs. 84 Cr. during 2021-23 while its repayment obligation is estimated to be around Rs. 16.00 crore – Rs.25.00 crore. The net cash accruals are expected to decline further in FY2022 on account of impact of COVID. However, SG is still expected to maintain adequate net cash accruals to its maturing debt obligations. The Group has seen an elongation in its working capital cycle. This has led to high reliance on working capital borrowings, the cash credit limit in the group remains utilized over 95 percent during the last 6 months period ended March 2022. The group has maintained unencumbered cash and bank balances of Rs. 31.65 crore as on March 31, 2021. Acuite expects SG's liquidity to remain adequate on account of adequate buffer between net cash accruals and repayment obligation constrained to some extent due to low unutilized bank limits.

### Outlook: Stable

Acuite believes that SG will continue to maintain a 'Stable' outlook over the medium term owing to the extensive experience of the management and established presence in the industry. The outlook may be revised to 'Positive' if the SG reports higher than expected increase scale of operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in operating performance or working capital management leading to decline in liquidity profile of the Group.

### Other Factors affecting Rating

Not Applicable

### Key Financials

| Particulars                   | Unit    | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 5235.20        | 9162.50        |
| PAT                           | Rs. Cr. | 20.33          | 36.27          |
| PAT Margin                    | (%)     | 0.39           | 0.40           |
| Total Debt/Tangible Net Worth | Times   | 2.27           | 2.23           |
| PBDIT/Interest                | Times   | 1.24           | 1.43           |

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook                                         |
|-------------|--------------------------------|-----------|-----------------|--------------------------------------------------------|
| 11 Jul 2022 | Cash Credit                    | Long Term | 15.00           | ACUITE A-   Stable (Downgraded from ACUITE A   Stable) |
| 12 Apr 2021 | Cash Credit                    | Long Term | 15.00           | ACUITE A   Stable (Reaffirmed)                         |
| 27 Feb 2020 | Proposed Bank Facility         | Long Term | 7.00            | ACUITE A   Stable (Reaffirmed)                         |
|             | Cash Credit                    | Long Term | 8.00            | ACUITE A   Stable (Reaffirmed)                         |
| 31 Jan 2019 | Proposed Bank Facility         | Long Term | 7.00            | ACUITE A   Stable (Reaffirmed)                         |
|             | Cash Credit                    | Long Term | 8.00            | ACUITE A   Stable (Reaffirmed)                         |
| 24 Jan 2019 | Cash Credit                    | Long Term | 8.00            | ACUITE A   Stable (Upgraded from ACUITE A-   Stable)   |
|             | Proposed Bank Facility         | Long Term | 7.00            | ACUITE A   Stable (Upgraded from ACUITE A-   Stable)   |
| 08 Nov 2017 | Cash Credit                    | Long Term | 15.00           | ACUITE A-   Stable (Assigned)                          |

### Annexure - Details of instruments rated

| Lender's Name       | ISIN           | Facilities  | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                          |
|---------------------|----------------|-------------|------------------|----------------|----------------|-------------------|---------------------------------|
| State Bank of India | Not Applicable | Cash Credit | Not Applicable   | Not Applicable | Not Applicable | 15.00             | ACUITE A-   Stable   Reaffirmed |

## Contacts

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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