

Press Release

15 December, 2017



Priyanka Communication India Private Limited (PCIPL)

Rating Assigned

Total Bank Facilities Rated *	Rs. 350.00 cr
Long Term Rating	SMERA A-/ Outlook: Stable
Short Term Rating	SMERA A2+

Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA A-**' (**read as SMERA A minus**) and short term rating of '**SMERA A2+**' (**read as SMERA A two plus**) on the Rs.350.00 crore bank facilities of Priyanka Communication India Private Limited (PCIPL). The outlook is '**Stable**'.

PCIPL, incorporated in 1995, is a Mumbai-based distributor of Reliance Jio products (Jio phones, SIM cards, connectivity devices) in Maharashtra (except Nagpur). The company has also launched its two in-house mobile phone brands -Centric, a smart phone and 'FRND' a featured phone, in February 2017. The company is also into apparel retailing of the international brand - FCUK.

Key Rating Drivers

Strengths

Experienced management

PCIPL commenced operations in 1997. The Directors, Mr. Mahesh Agarwal and Mr. Manish Agarwal possess more than two decades of experience in the said business.

SMERA believes that PCIPL will continue to benefit from its management's extensive track record and well established distribution channel.

Healthy growth in revenue

PCIPL has registered a healthy compounded annual growth rate (CAGR) of ~19 per cent during the last three years ended 31 March, 2017. The company reported ~27 per cent revenue growth in FY2017 as against ~35.55 per cent in the previous year on account of increase in sales to existing customers and increasing demand for its products - Centric & FRND. Revenue stood at Rs.526.36 crore in FY2017 as against Rs.415.41 crore in FY2016.

Healthy financial risk profile

The financial risk profile of PCIPL has been healthy, marked by net worth of Rs.45.00 crore as on 31 March, 2017 compared to Rs.32.00 crore in the previous year. The gearing (debt-equity) stood at 2.41 times as on 31 March, 2017 compared to 2.49 times as on 31 March, 2016. The total debt of Rs.109.98 crore as on 31 March, 2017 consists of unsecured loan from director of Rs.1.53 crore and working capital facility of Rs.108.44 crore. The Interest Coverage Ratio (ICR) stood at 2.70 times for FY2017 as against 4.69x times for FY2016. The decrease in ICR is mainly due to increase in working capital. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 2.75x times as on 31 March, 2017.

The Net cash accruals to Total debt (NCA/TD) stood at 0.13x times for FY2017. The Return on Capital Employed (RoCE) stood at 24.88 per cent in FY2017. Further, SMERA expects that going forward, the company will maintain its financial risk profile on account of steady accruals.

Weaknesses

Highly competitive and fragmented industry

PCIPL operates in a highly competitive and fragmented industry. The revenues and margins from the mobile products segment depend on the changes in policies with regard to margins to vendors. The company's performance in other segments, i.e. IT products and electronics, is exposed to the risk of unfavourable changes in policies.

Supplier concentration risk

PCIPL is exposed to supplier concentration risk as a large part of its purchases are derived from a single supplier- Reliance Retail Limited (Jio).

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PCIPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on PCIPL's rated facilities will remain stable over the medium term on account of its promoters' extensive experience and established presence in the industry. The outlook may be revised to 'Positive' in case of significant growth in revenue and improvement in profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation in the working capital cycle.

About the Rated Entity - Key Financials

For FY2017, PCIPL reported Profit after Tax (PAT) of Rs.13.00 crore on total operating income of Rs.525.15 crore compared to PAT of Rs.13.09 crore on total operating income of Rs.414.50 crore in FY2016.

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 Entity - <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

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	54.00	SMERA A- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A- / Stable
Ad hoc Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A- / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2+
Letter of Credit / Buyers Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A2+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A2+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2+
Long Term (Proposed Facility)	Not Applicable	Not Applicable	Not Applicable	61.00	SMERA A- / Stable
Short Term (Proposed Facility)	Not Applicable	Not Applicable	Not Applicable	109.00	SMERA A2+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Kashish Shah Rating Analyst Tel: 022-67141152 Email: kashish.shah@smera.in	

ABOUT SMERA

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