

Press Release

Priyanka Communication India Private Limited

October 23, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 350.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BBB+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A2)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A2**' (read as **ACUITE A two**)' on the Rs. 350.00 crore bank facilities of Priyanka Communications India Private Limited (PCPL). The outlook is '**Stable**'.

The rating downgrade is in view of significant liquidity pressures faced by PCPL, which has impeded its ability to meet its debt obligations in a timely manner. Acuite's interactions with PCPL's bankers revealed that there are instances of persistent irregularities in PCPL accounts.

PCPL, a Mumbai-based company was incorporated in 1995 and commenced its operations in 1997. The company is distributor of Reliance Jio products (Jio phones, SIM cards and connectivity devices) in Maharashtra region (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. The company has a wide distribution network of 30,000+ mapped retailers for Jio products and ~200 distributors that serves over 20,000 retailers for its mobile segment. The company is also a strategic business partner with Flipkart for selling branded tablet computers on the website.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PCPL to arrive at the rating.

Key Rating Drivers

Strengths

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

The company commenced its operations in 1997 and has established presence of over two decades in domestic market for its products. The Directors, Mr. Mahesh Agarwal and Mr. Manish Agarwal possess more than two decades of experience in the said business. PCPL has diversified product mix and caters to different industries like telecom, retailing both online, offline and information technology. The company is also supported by experienced and skilled second line of management. Acuite believes that PCPL will continue to benefit from its management's extensive track record and well established distribution channel.

Weaknesses

- **Delays in servicing debt obligations**

PCPL has been facing significant liquidity pressure which has impeded its ability to meet its debt obligation in a timely manner. The same have been confirmed by the existing lenders.

• High competition and regulatory risk

The company operates in industries like telecom, consumer electronics, mobile phones and textile – apparels (retail). All these industry are marked by presence of large number of organized and unorganized players resulting in high competition thereby putting pressure on margins. Further, industry like telecom, consumer electronics, mobile phones and online retailing are highly regulated. Any significant or negative regulatory change will have adverse impact on players such as PCPL, as the company has significant operational dependence on these industries to maintain a stable business profile.

Rating Sensitivity:

- Stretched liquidity
- Ongoing delays in debt servicing

Material Covenants:

- TOL/TNW Company shall not exceed 3.00 times

Liquidity profile

PCIL liquidity is currently stretched as the company is not been able to service its current and maturing debt obligations. Acuite expects the company liquidity profile to remain stretched for over near to medium term persistent delays in servicing debt obligations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	736.90	525.15	414.50
EBITDA	Rs. Cr.	47.95	32.41	27.53
PAT	Rs. Cr.	19.23	13.00	13.09
EBITDA Margin	(%)	6.51	6.17	6.64
PAT Margin	(%)	2.61	2.48	3.16
ROCE	(%)	26.11	24.34	32.76
Total Debt/Tangible Net Worth	Times	2.30	2.44	2.58
PBDIT/Interest	Times	2.83	2.59	4.13
TOL/TNW	Times	2.62	3.23	2.87
Total Debt/PBDIT	Times	3.04	3.29	2.91
Gross Current Assets (Days)	Days	108	121	95

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Mar-2019	Cash Credit	Long Term	62.00*	ACUITE BBB+ / Stable (Downgraded)
	Cash Credit	Long Term	20.00	ACUITE BBB+ / Stable (Downgraded)
	Cash Credit	Long Term	50.00	ACUITE BBB+ / Stable (Downgraded)
	Cash Credit	Long Term	20.00	ACUITE BBB+ / Stable (Downgraded)
	Ad-hoc limits (Fund Based)	Long Term	5.00	ACUITE BBB+ / Stable (Downgraded & Withdrawn)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Downgraded)
	Letter of Credit	Short Term	15.00*	ACUITE A2 (Downgraded)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Downgraded)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Downgraded)
	Proposed Long Term Loan	Long Term	48.00	ACUITE BBB+ / Stable (Downgraded)
	Proposed Short Term Loan	Short Term	110.00	ACUITE A2 (Downgraded)
15-Dec-2017	Cash Credit	Long Term	54.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A- / Stable (Assigned)
	Ad-hoc limits (Fund Based)	Long Term	5.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Proposed Long Term Loan	Long Term	61.00	ACUITE A- / Stable (Assigned)
	Proposed Short Term Loan	Short Term	109.00	ACUITE A2+ (Assigned)

* Letter of Credit of Rs.15.00 crores fully interchangeable with cash credit limits.

***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	62.00*	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE D (Downgraded)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE D (Downgraded)
Ad-hoc limits (Fund Based)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00*	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE D (Downgraded)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE D (Downgraded)

* Letter of Credit of Rs.15.00 crores fully interchangeable with cash credit limits

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About Acuite Ratings & Research:

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