

Press Release

DEVI INTERNATIONAL

March 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.85 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 8.85 crore bank facilities of DEVI INTERNATIONAL. The outlook is '**Stable**'.

Devi International (DI) is a partnership firm formed in 1982. The Karnataka based firm is managed primarily by Mr. Narendranath and his wife Mrs. Yashodha. Mr. Narendranath was into the business of interior decoration and dealership of Cinema Carbon before formation of DI. Its showroom is located in Jayanagar, Bangalore. It is into of dealership of diverse electronic appliances, like, LED, refrigerators, washing machines, air conditioners, microwave ovens, mobiles and small home appliances of reputed brands. The firm deals into the products of reputed brands like Samsung, Sony, Haier, Hitachi, LG, Lloyd, Mitsubishi, Videocon and Whirlpool amongst others.

Key Rating Drivers

Strengths

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

DI was formed in the year 1982 by Mr. Narendranath and his wife; the promoter of the firm has vast experience over three decades in the electronic good industry. The firm has been associated with many reputed companies dealing in consumer durables. SMERA believes that DI will benefit from its established presence in electronic trading activity & its association with various brands.

- **Average financial risk Profile**

The firm has average financial risk profile marked by a net worth of Rs 11.32 crore in FY17 vis-à-vis Rs.6.11 Crore in FY16. This is mainly due to retention of current year profits. The debt-equity ratio stood comfortable at 1.29 times in FY17 as compared to 2.67 times in FY16. The debt profile mainly included unsecured loan from financial institute and working capital borrowings of Rs.9.29 and Rs.5.31 crore respectively. The Interest coverage ratio stood comfortable at 6.50 times in FY17 as compared to 2.80 times in FY16.

- **Efficient working capital management**

DI has efficient working capital management marked by a consistent inventory days of ~30 days. The working capital cycle days are ~30 days in last three years. Also, the average cash credit utilisation is approx. 85%.

- **Diversified product portfolio consisting of major brands**

The firm deals in a wide range of products like Televisions, Refrigerators, Washing Machines, Microwave Ovens and Air Conditioners from reputed brands like Samsung, Sony, Haier, Hitachi, LG, Lloyd, Mitsubishi, Videocon and Whirlpool. Also, the firm has expanded its business by supplying to various Corporates and Institutions, like Infosys and Siemens.

Weaknesses

- **Geographic concentration and intense competition**

The business of DI is concentrated in Karnataka- Jayanagar. Furthermore, Jayanagar is a residential area having presence of many well-known retail outlets like Croma, Reliance Digital, Philips Arena, Sony and several other local players, which pose a threat to DI. Besides, DI also faces competition from various e-commerce websites like Amazon, Flipkart, Snapdeal, etc. which has ever increasing popularity.

Analytical Approach

SMERA has considered a standalone financials of Devi International

Outlook: Stable

SMERA believes that DI will maintain its credit risk profile over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the company is able to increase its scale of operations while maintaining its profitability. The outlook may be revised to 'Negative' in case of decline in profitability or deterioration in debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	217.34	182.12	163.57
EBITDA	Rs. Cr.	3.62	1.75	1.40
PAT	Rs. Cr.	3.13	1.19	0.96
EBITDA Margin	(%)	1.66	0.96	0.86
PAT Margin	(%)	1.44	0.65	0.59
ROCE	(%)	15.38	9.90	19.99
Total Debt/Tangible Net Worth	Times	1.29	2.67	0.86
PBDIT/Interest	Times	6.50	2.80	2.85
Total Debt/PBDIT	Times	3.86	8.36	4.24
Gross Current Assets (Days)	Days	57	61	47

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.95	SMERA BB / Stable
Proposed	Not Applicable	Not	Not	1.90	SMERA BB / Stable

	Applicable	Applicable	
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ABOUT SMERA

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