

Press Release

Akshar Enterprises

June 15, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.45 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 7.45 crore bank facilities of Akshar Enterprises. The outlook is '**Stable**'.

Akshar Enterprises (AE) was established in 2016 as a proprietorship concern by Mr. Dhyaneshwar Kale. It is engaged in the distributorship of VIVO mobile phones and LG home appliances. Prior to this, Akshar Enterprises was engaged in construction of real estate and distribution of pharmaceutical products (discontinued from FY2017).

Key Rating Drivers

Strengths

- **Experienced management and distributorship of established brands**

Akshar Enterprises is headed by Mr. Dhyaneshwar Kale who has an experience of almost 2 years in the trading of mobiles and electronics. Currently, the firm is engaged in the distributorship of VIVO mobiles and LG home appliances for the Nashik region. Hence, the firm builds upon the brand image created by the products its dealing into i.e VIVO and LG. Acuité believes that the long term experience of the proprietor and AE's well known product portfolio will benefit the firm in maintaining long term relations with its customers and suppliers.

- **Moderate financial risk profile**

The rating also derives comfort from the moderate financial risk profile marked by a low gearing and comfortable debt protection metrics. The financial risk profile of the firm has been moderate marked by net worth of Rs.1.12 crore as on 31 March, 2017. The gearing stood low at 1.29 times as on 31 March, 2017. The total debt of Rs.1.44 crore outstanding as on 31 March, 2017 comprises unsecured loans from Directors of Rs.0.56 crore and long term loan from bank of Rs.0.88 crore. The ICR stood at 4.04 times in FY2017 on account of low debt. The Net Cash Accruals stood at Rs.0.14 crore in FY2017. The NCA/TD ratio stood at 0.10 times in FY2017.

- **Efficient working capital cycle**

The firm has a comfortable working capital cycle marked by Gross Current Assets (GCA) of 99 days in FY2017, majorly on account of lower receivable days of 46 days in FY2017. Inventory holding period is also low at 6 days in FY2017. The creditor days of AE stood at 55 days for the year ending FY2017. The average bank limit utilisation stood at ~95 percent for the last six months ended March 2018. Acuité believes that AE will maintain its working capital cycle over the medium term on account of comfortable liquidity position.

Weaknesses

- **Limited track record of operations**

The firm started its current operations of distributorship of VIVO mobiles and LG home appliances from July 2016. The firm has registered revenue of Rs.45.00 crore for FY2018 (Provisional). Acuité believes that the ability of the firm to maintain its revenue stream and the profitability margins over the medium term will be key rating sensitivity.

- **Competitive and fragmented industry**

AE is engaged in the trading of mobile phones and electronics. The firm faces intense competition from other organised and unorganised players in the mobile phones and electronic industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Akshar Enterprises to arrive at the rating.

Outlook: Stable

Acuité believes that AE will continue to maintain a 'Stable' outlook over the medium term. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.95	0.57	0.91
EBITDA	Rs. Cr.	0.19	0.15	0.14
PAT	Rs. Cr.	0.11	0.06	0.07
EBITDA Margin	(%)	1.87	25.93	15.07
PAT Margin	(%)	1.09	9.67	8.14
ROCE	(%)	7.31	6.80	16.04
Total Debt/Tangible Net Worth	Times	1.29	1.07	1.17
PBDIT/Interest	Times	4.04	2.64	2.56
Total Debt/PBDIT	Times	7.74	5.85	6.26
Gross Current Assets (Days)	Days	99	491	364

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	7.45	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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