



Press Release

Straddle Industries Private Limited

October 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 20.00 crore bank facilities of STRADDLE INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

Straddle Industries Private Limited (SIPL) (erstwhile Avichal Multitrade Private Limited) was incorporated in 2014 by Mr. Ketan Deshpande, Mr. Vaibhav Kulkarni, and Mr. Prafulla Bhat. The company is engaged in trading of mobile and mobile accessories, kitchen appliances, TVs, invertors and various other electronic products.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Straddle Industries Private Limited

Key Rating Drivers

Strengths

- **Diversified product portfolio**

SIPL has diversified product portfolio ranging from invertors, TVs, spare parts, mobiles, kitchen appliances amongst others. The company is not limited in their scope of business which offers a wider reach for earning revenue.

- **Moderate financial risk profile**

SIPL has moderate financial risk profile marked by tangible net worth of Rs. 6.38 crore as on 31 March, 2018 (Provisional) as against Rs. 3.32 crore as on 31 March, 2017. The gearing (debt-equity) stood at 1.22 times as on 31 March, 2018 (Provisional) as against 2.26 times as on 31 March, 2017. The total debt as on 31 March 2018 (Provisional) of Rs. 7.76 crore mainly consists of unsecured loans of Rs. 3.33 crore and working capital borrowings of Rs. 4.43 crore. Interest Coverage Ratio (ICR) stood at 2.00 times for FY 2018 (Provisional) as against 22.27 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.41 times as on 31st March, 2018 (Provisional) as against 12.27 times as on 31st March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times for FY 2018 (Provisional) as against 0.16 times for FY 2017. Acuité believes that going ahead SIPL will maintain a stable financial risk profile.

- **Comfortable Working capital cycle**

SIPL has a comfortable working capital cycle marked by Gross Current Asset (GCA) of 47 days in FY2018 (Provisional) compared to 96 days in FY2017. The improvement in GCA days is on account of decrease in debtor days to 41 days for FY2018 (provisional) as against 87 in the previous year. The inventory days stood constant at 6 for FY2018 (Provisional) and FY2017. The lower working capital

intensity is further reflected from the low utilization of ~ 60 per cent of its working capital facilities. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Uneven profitability margins**

The EBITDA margins of the company stood at 2.52 percent in FY2018 (Provisional) as against 1.17 percent in FY2017 while the PAT margins show a declining trend at 0.64 percent in FY2018 (Provisional) as against 0.65 percent in FY2017. The PAT margin is declining on account of increase in interest cost to Rs. 2.13 crore in FY2018 (Provisional) from Rs. 0.09 crore in FY2017. However going ahead, Acuité believes that the company will register improvement in profitability margins considering the decline in the non-fund based facility of the company.

- **Competitive and fragmented industry**

SIPL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Outlook: Stable

Acuité believes SIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	165.47	164.26	105.71
EBITDA	Rs. Cr.	4.18	1.92	0.77
PAT	Rs. Cr.	1.06	1.06	0.52
EBITDA Margin	(%)	2.52	1.17	0.73
PAT Margin	(%)	0.64	0.65	0.49
ROCE	(%)	30.41	26.50	65.67
Total Debt/Tangible Net Worth	Times	1.22	2.26	0.00
PBDIT/Interest	Times	2.00	22.27	1880.36
Total Debt/PBDIT	Times	1.82	3.91	0.00
Gross Current Assets (Days)	Days	47	96	26

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/view-rating-criteria-6.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)

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	9.00	ACUITE BB / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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