

Press Release

Kripa Anand Rishi Cellular Private Limited

D-U-N-S® Number: 67-548-8042

August 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 9.50 crore bank facilities of KRIPA ANAND RISHI CELLULAR PRIVATE LIMITED (KARC). The outlook is '**Stable**'.

Incorporated in 2006, KARC is Pune-based company engaged in distribution of electronic products for Samsung and Syska. The day to day operations are managed by its directors, Rohan Vijaykumar Dudhedia, Manish Ramanlal Dudhedia and Jayesh Vijaykumar Dudhedia. KARC supplies products to around 450 retailers in Pune.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of KARC to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

KARC started its operations in 2006 under the leadership of Mr. Rohan Vijaykumar Dudhedia, Mr. Manish Ramanlal Dudhedia and Mr. Jayesh Vijaykumar Dudhedia, who collectively possess experience of more than two decades. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers.

• Efficient working capital operations

The working capital operation is efficiently managed marked by low Gross Current Asset (GCA) days of 66 for FY2019 (Provisional) as against 67 in the previous year. The debtor days stood at 45 for FY2019 (Provisional) as against 59 in FY2018. Further, inventory days stood at 12 for FY2019 (Provisional) as against 6 for FY2018. The average bank limit utilisation stood at ~85 to 90 per cent for last six months ending June 2019. Acuité believes that further the ability of the company to efficiently manage its working capital requirements will remain the key ratingsensitivity.

Weaknesses

• Decline in scale of operations and profitability

The revenue of the company has declined at a CAGR of 6.65 per cent for last three years ending FY2019 (Provisional). The revenue stood at Rs.170.67 crore in FY2019 (Provisional) as against Rs.212.99 crore in the previous year. The decline in revenues are majorly because of the competition from other brands faced by the company. The operating margins of the company declined to 1.28 per cent in FY2019 (Provisional) from 1.87 percent in FY2018. Acuité believes that improvement in operating performance of the company will be key rating sensitivity as it is majorly affected by the fierce competition from other brands in the market.

• Average financial risk profile

The financial risk profile of KARC is average marked by moderate net worth coverage indicators and high debt protection metrics of the company. The tangible net worth of the company stood at Rs.9.70 crore as on 31 March, 2019 (Provisional) as against Rs.9.41 crore in the previous year. The gearing (debt-equity) stood at 2.35 times as on 31 March, 2019 (Provisional) as against 2.81 times as on 31 March, 2018. The total debt as on 31 March, 2019 of Rs.22.76 crore majorly comprises inter-corporate debt of Rs.14.01 and working capital facility of Rs.8.75 crore. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR), which stood at 2.09 times for FY2019 (Provisional) as against 1.46 times for FY2018. Debt Servicing Coverage Ratio (DSCR) stood at 1.92 times for FY2019 (Provisional) as against 1.41 times for FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.65 times as on 31 March, 2019 (Provisional) as against 3.69 times as on 31 March, 2018. Net cash accrual to total debt (NCA/TD) stood at 0.05 times for both FY2019 (Provisional) and for FY2018.

• Highly competitive industry

KARC 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 segments, i.e. IT products and electronics, is exposed to the risk of unfavorable changes in policies. Any significant regulatory changes against the telecom industry and ecommerce players are likely to impact the company to maintain a stable business profile.

Liquidity Position:

KARC has adequate liquidity marked by net cash accruals of Rs.1.13 in FY2019 (provisional), Rs.1.25 crore in FY2018 and Rs.1.21 crore in FY2017. The company's working capital operations are efficient as marked by low gross current asset (GCA) days of 66 in FY 2019 (Provisional). However, the reliance on working capital borrowings is high, the cash credit limit in the company remains utilised at ~85 to 90 per cent during the last 6 months' period ended June, 2019. The company maintains unencumbered cash and bank balances of Rs.3.52 crore as on 31 March, 2019 (Provisional). The current ratio of the company stood at 2.84 times as on 31 March, 2019 (Provisional).

Acuite believes that the liquidity of the company will remain adequate over the medium term.

Outlook: Stable

Acuite believes that KARC will maintain a 'Stable' outlook over the medium term on the back of its experienced management and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profit margins or deterioration in the capital structure or liquidity position owing to significant increase in working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	170.67	212.99	195.85
EBITDA	Rs. Cr.	2.18	3.98	2.21
PAT	Rs. Cr.	0.89	0.98	0.97
EBITDA Margin	(%)	1.28	1.87	1.13
PAT Margin	(%)	0.52	0.46	0.50
ROCE	(%)	5.68	9.96	10.25
Total Debt/Tangible Net Worth	Times	2.35	2.81	3.54
PBDIT/Interest	Times	2.09	1.46	2.27
Total Debt/PBDIT	Times	10.45	6.66	13.55
Gross Current Assets (Days)	Days	66	67	66

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB- / Stable

Contacts

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