

Press Release

Kripa Anand Rishi Cellular Private Limited

December 16, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.90	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	14.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.14.90 crore bank facilities of Kripa Anand Rishi Cellular Private Limited (KARCPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account KARCPL's moderate financial risk profile along with experienced management and established track record of operations. The rating is however constrained by the company's declining revenue, elongation in working capital cycle which has stretched its liquidity profile and company's presence in the highly fragmented and competitive industry. Ability of KARCPL to restrict any further decline in scale of operations and any further elongation in working capital cycle will remain a key rating sensitivity factor.

About the Company

KARCPL incorporated in 2006, is a Pune-based company engaged in distribution of electronic products for Samsung mobiles and Syska accessories such as chargers, power bank and headphones. The company supplies products to around 450 retailers in Pune.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Kripa Anand Rishi Cellular Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

KARCPL is engaged in distribution of electronic products for Samsung mobiles and Syska accessories such as chargers, power bank and headphones. It has an established operational track record of more than a decade. It is promoted by Mr. Rohan V. Dudhedia, Mr. Manish R. Dudhedia and Mr. Jayesh V. Dudhedia, who collectively possess experience of more than two decades in the trading of electronic products. The promoters are being supported by its team of experienced professionals in managing day to day operations of

KARCPL. The extensive experience of the promoters has enabled KARCPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that KARCPL will continue to benefit from its experienced management and established track record of operations.

Moderate financial risk profile

Financial risk profile of KARCPL is moderate marked by marked by modest networth, moderate gearing and average debt protection metrics. The networth of the company stood modest at Rs.11 Cr as on 31 March, 2022 as against Rs.10 Cr as on 31 March, 2021 and has improved on account of moderate accretion to reserves. The gearing (debt-equity) of the company is moderate which stood improved at 1.41 times as on 31 March, 2022 as against 1.78 times as on 31 March, 2021. The gearing of the company is expected to improve further and remain low over the medium term on account of absence of any debt funded capex plans in the future. The total debt of Rs.16 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.2 Cr, short term bank borrowings of Rs.10.50 Cr and unsecured loans from directors of Rs.3.50 Cr.

The interest coverage ratio stood improved at 2.08 times for FY2022 as against 1.53 times for FY2021 while the DSCR stood marginally lower at 1.44 times for FY2022 as against 1.51 times for FY2021. The Net Cash Accruals to Total debt stood marginally improved at 0.07 times for FY2022 as against 0.03 times for FY2021. The Total outside liabilities to Tangible net worth stood improved at 1.89 times for FY2022 as against 2.25 times for FY2021.

Acuité believes that the financial risk profile of KARCPL will remain moderate over the medium term on account of its low debt levels vis-à-vis modest tangible net worth and average debt protection metrics.

Weaknesses

Decline in scale of operations

KARCPL reported continued decline in its revenues on a year-on-year basis of Rs.89 Cr for FY2022 as against Rs.113 Cr in FY2021 and Rs.137 Cr in FY2020. This degrowth in revenue over the last three years is majorly on account of overall demand by the consumers of buying new mobile handsets and various other mobile accessories was affected during the pandemic phase in FY2021 and FY2022. Despite of decline in the overall revenue, the operating margin of the company however remained stable at 1.10 and 1.11 percent in FY2022 and in FY2021 on account of reduced purchases of stock in trade and employee costs whereas the net profit margin of the company stood improved at 1.12 percent in FY2022 and 0.40 percent in FY2021 on account of low depreciation and interest cost during both the years.

For the current year, as on 6M FY2023, the company has achieved an overall revenue of Rs.58 Cr as against Rs.31 Cr as on 6M FY2022, since post the pandemic phase the demand of new mobile handsets and accessories has once again increased which has helped the company to scale up its operations during the said period and based on this, it is expected that the company will be able to achieve an improved operating performance by the end of FY2023.

Acuité believes that ability of KRCPL to restrict further decline in its scale of operations will remain a key rating sensitivity factor.

Elongation in working capital management

KARCPL's working capital cycle has elongated in FY2022 as against FY2021 as reflected in the Gross Current Assets (GCA) of 116 days for FY2022 as against 94 days for FY2021. This is primarily on account of high receivables cycle during the same period which stood at 80 days for FY2022 as against 76 days for FY2021. This is impacted because of covid pandemic as the collections from its various dealers were delayed during FY2022 and in FY2021. This makes the company dependent on bank borrowing for working capital requirement. The average bank limit utilization for 6 months' period ended September 2022 stood fully utilised. In general, the company provides credit period of upto 30 days to its dealers for making the payment. On the other hand, the inventory cycle of the company stood lower at 11 days for FY2022 as against 13 days for FY2021, whereas the creditors stood at 22 days for FY2022 as against 15

days for FY2021.

Acuité believes that any further elongation in the company's working capital position will remain key monitorable.

Highly competitive industry

KARCPL 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.

Rating Sensitivities

- Ability to restrict further decline in scale of operations
- Any further elongation in working capital cycle

Material covenants

None

Liquidity position - Stretched

KARCPL has stretched liquidity position marked by low net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.0.76 Cr to Rs.1.16 Cr during FY2020 to FY2022 against its repayment obligation of upto Rs.0.50 Cr during the same period. Going forward the NCA are expected in the range of Rs.1.12 Cr to Rs.1.39 Cr for period FY2023-FY2024 against its repayment obligation of upto Rs.0.50 Cr for the same period. The working capital cycle has elongated in FY2022 as against FY2021 as reflected in the Gross Current Assets (GCA) of 116 days for FY2022 as against 94 days for FY2021. This is primarily on account of high receivables cycle during the same period which stood at 80 days for FY2022 as against 76 days for FY2021. This makes the company dependent on bank borrowing for working capital requirement. The average bank limit utilization for 6 months' period ended September 2022 stood fully utilised. Current ratio stands at 1.92 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.0.34 Cr in FY2022.

Acuité believes that liquidity profile of KARCPL is likely to remain stretched over the medium term on account of its high dependency on bank borrowings for working capital requirement.

Outlook: Stable

Acuité believes that KARCPL will maintain 'Stable' outlook over the medium term on account of its experienced management with established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	89.24	112.92
PAT	Rs. Cr.	1.00	0.45
PAT Margin	(%)	1.12	0.40
Total Debt/Tangible Net Worth	Times	1.41	1.78
PBDIT/Interest	Times	2.08	1.53

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

Crisil vide its press release dated 25-04-2022, rated KARCPL to Crisil b; INC.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Sep 2021	Term Loan	Long Term	2.40	ACUITE BB- Stable (Assigned)
	Inventory Funding	Long Term	12.50	ACUITE BB- Stable (Upgraded from ACUITE B+)
23 Oct 2020	Inventory Funding	Long Term	9.50	ACUITE B+ (Downgraded and Issuer not co-operating*)
14 Aug 2019	Inventory Funding	Long Term	9.50	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.40	ACUITE BB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nilesh Soni Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.