

Press Release

Digilogic Distribution Services Private Limited

July 22, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	5.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	17.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.17.00 Cr bank facilities of Digilogic Distribution Services Private Limited (DDSPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

About the Company

Digilogic Distribution Services Private Limited is a Delhi based company incorporated in the year 2011. The company is promoted by Mr.Rajiv Naswa, Mr.Sanjiv Naswa, Mr. GL Naswa and Mrs. Mona Naswa. The company is an authorized distributor for Xiaomi India in West Delhi. The company had earlier been associated as an authorized distributor for Nokia from 2011 to 2018. However, from February 2018, the company has been associated as an authorized distributor for Xiaomi India. The product line of the company includes Mobile Phones, Television, Water Purifier, Air Purifiers and other Accessories.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of DDSPL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

DDSPL was incorporated in the year 2011 and currently is associated as an authorized distributor for Xiaomi India. The company is promoted by Mr.Rajiv Naswa, Mr.Sanjiv Naswa, Mr. GL Naswa and Mrs. Mona Naswa who have been engaged in the aforementioned industry for around two decades through various entities. The extensive experience of the promoters and established track record of operation of the company has helped the

company to maintain healthy relationships with its customer and suppliers. The brand awareness of Xiaomi brand and low cost products helps the company to cater every segment of customer profile. Acuité believes that the company will benefit from its experienced management and long track of operation.

Working Capital management is efficient in nature

The operations of the company are efficient as marked by GCA days of 36 in FY 2021 which has moderated from 14 days in FY 2020. Increment in GCA days is a result of increase in debtor realization and inventory holding period. Inventory days have risen from 7 days in FY 2020 to 20 days in FY 2021. Debtor days too have increased from 6 days in FY 2020 to 14 days in FY 2021. As a result creditor days have increased from 4 days in FY 2020 to 14 days in FY 2021.

Weaknesses

Average financial risk profile

Company's financial risk profile is average marked by low net worth, low gearing coupled with average debt protection metrics and coverage indicators. The company's net worth stood at Rs. 5.60 Cr as on March 31, 2021 as against Rs. 4.88 Cr as on March 31, 2020. The company has followed conservative financial policy; the same is reflected through its gearing and total outside liabilities to tangible net worth (TOL/TNW) of 0.94 times and 2.17 times respectively as on March 31, 2021. The company on the other hand generated cash accruals of Rs. 0.84 Cr in FY 2021 as against Rs. 1.24 Cr in FY 2020. The decline in the profitability level, coupled with low debt level and low interest cost, has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2021 stands at 0.16 times and 8.04 times respectively as against 0.27 times and 4.39 times in FY2020, respectively. The debt service coverage ratio stood 6.19 times in FY2021 as against 3.48 times in FY2020. The Debt-EBITDA ratio stands at 4.03 times in FY2021 against 2.09 times in FY2020.

Highly competitive and fragmented industry

DDSPL operates in a highly competitive and fragmented consumer electronics industry wherein the market is characterized by the presence of well-established big players such as Apple, Samsung, One Plus, among others. The advents of other brands such as Oppo, Vivo and others have proved to be intensely competitive in terms of features and pricing. The ability of these companies to continuously churn out new models with a strong value proposition for the consumer has helped them to gain a significant share in the mobile market. Further, DDSPL also deals with other electronic products like Television, Air Purifiers, Water Purifiers, etc.

Rating Sensitivities

- Scale of operations.
- Profitability.

Material covenants

None.

Liquidity Position

Adequate

The company has adequate liquidity as marked by Net cash accruals against maturing debt obligation. Since the company has not on boarded any major term loan and has been running the operations on working capital borrowings the cash accruals generated is supporting the business. Cash and bank balance stood at Rs. 0.11 Cr in FY 2021 while the company generated net cash accrual of Rs. 0.84 Cr in the same period.

Outlook: Not Applicable

Not Applicable.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	150.59	225.94
PAT	Rs. Cr.	0.72	1.11
PAT Margin	(%)	0.48	0.49
Total Debt/Tangible Net Worth	Times	0.94	0.94
PBDIT/Interest	Times	8.04	4.39

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 May 2021	Cash Credit	Long Term	4.75	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.25	ACUITE BB- Stable (Reaffirmed)
27 Feb 2020	Proposed Bank Facility	Long Term	0.25	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	4.75	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE BB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB- Reaffirmed & Withdrawn

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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.

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