

Press Release

Vision Distribution Private Limited

March 31, 2022

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------|
| Bank Loan Ratings | 15.00 | ACUITE BBB- Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 15.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 15.00 Cr bank facilities of Vision Distribution Private Limited (VDPL). The outlook is '**Stable**'.

About the Company

Vision Distribution Private Limited is a private limited company, established in 1994. The company is headquartered in New Delhi. The company is in the business of distribution of Mobiles, Cameras and mobile accessories of reputed brands & other Electronic items since 1994. Mr. Rajiv Babbar is the promoter of the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Vision Distribution Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

The promoters of the company have been in the electronics distribution business since a long time and have more than two decades of experience in the industry. The management has gained valuable experience since the inception of the company and has developed strong relationships with customers and suppliers. This has enable them to navigate the market and helped grow the company to the scale it is presently operating at. Going forward the company will benefit from the relationships fostered by the management and would be able to grow on a sustainable basis.

Improvement in Profitability

The profitability margins for the company are on an uptrend since FY 2020 year on year. The EBIDTA margin has improved from 0.97% in FY 2020 to 1.64% in FY 2021. PAT margin has also seen improvement from 0.20% in FY 2019 to 0.66% in FY 2021. The improvement in margins are on account of the prudent business model of the company wherein the operations have been divided into verticals and these verticals are managed by professional managers who are responsible to drive the topline and bottom-line from their respective profit centers.

Working Capital Management

Working capital although stretched is comfortable in FY 2021 with GCA days stretching to 80 from 57 in FY 2020. The inventory and debtor levels stood at 17 days and 37 days in FY 2021 against 5 days and 41 days in FY 2020. Acuite believes that going forward the working capital cycle would condense and remain comfortable on account of increase in institutional business resulting in timely payments from government departments which would help the company to bring down the cycle.

Weaknesses

Average Financial Risk Profile

VDPL has an average financial risk profile marked by low net worth, moderate gearing levels and coverage indicators. The tangible net worth of the company stood at Rs. 18.95 Cr in FY 2021 as against Rs. 16.72 Cr in FY 2020. The gearing of the company moderated to 2.06 times in FY 2021 as against 1.11 times in FY 2020 on account of increase in total debt. The total debt of Rs. 39.05 Cr includes long term debt of Rs. 5.59 Cr, Rs. 0.88 Cr of USL and short term debt of Rs. 32.58 Cr. The short term debt is on a higher side since utilization levels were high during February and March 2021 and this pattern of high utilization in the last quarter is expected to get repeated in the coming years too. The Interest Coverage Ratio has moderated from 2.92 times in FY 2020 to 2.46 times in FY 2021 on account of dip in Profit before Tax earned by the company in FY 2021. TOL/TNW has improved from 3.96 times in FY 2020 to 3.20 times in FY 2021 due to decline in advances received from customers leading to drop in total outside liabilities. Further the company generated Net Cash Accruals of Rs. 2.51 Cr in FY 2021.

Competition in the smart phone industry

VDPL faces intense competition in the smart phone industry with presence of multiple distributors and online channels. Since the company is engaged in distribution of smartphones, the revenue of the company is susceptible to the performance of the brands it distributes. In the past the company has suffered from the controversy surrounding Huawei wherein the US-China trade war did hamper the brand and in turn the operating performance of VDPL.

Rating Sensitivities

- Increase in input cost.
- Elongation of working capital cycle.

Material covenants

None.

Liquidity Position: Adequate

VDPL's liquidity position is comfortable as in FY 2021 the group generated NCA of Rs. 2.51 Cr against nil debt obligations. Going forward the NCA is expected to remain between Rs. 5.37 Cr in FY 2022 and Rs. 6.46 Cr against CPLTD of Rs. 2.37 Cr and Rs. 2.23 Cr in the respective years which would give the company the ability to service its debt obligations in a timely manner in absence of any debt funded capex. The current ratio for the company stood at 1.43 times in FY 2021 and the Cash and Bank balance for FY 2021 stood at Rs. 2.20 Cr

Outlook: Stable

Acuite believes that VDPL will maintain a 'Stable' outlook over the medium term on the back of improving revenue profile and comfortable working capital operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or elongation in working capital cycle.

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 340.06 | 511.25 |
| PAT | Rs. Cr. | 2.23 | 2.95 |
| PAT Margin | (%) | 0.66 | 0.58 |
| Total Debt/Tangible Net Worth | Times | 2.06 | 1.11 |
| PBDIT/Interest | Times | 2.46 | 2.92 |

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-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:

Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|-------------|------------------|----------------|----------------|-------------------|---------------------------------|
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE BBB- Stable Assigned |

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About Acuité Ratings & Research

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