Press Release

Kisha Telelinks Pvt Ltd

(Additional Limits)

February 20, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
1.	Long Term Facility – Fund Based - Cash Credit	2.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed
2.	Long Term/ Facility – Fund Based – Packing Credit	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed
3.	Long Term/ Facility – Fund Based (Proposed) – Packing Credit	9.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
4.	Short Term Facility – Non Fund Based – Letter of credit	4.00	IVR A4+ (IVR A Four Plus)	Reaffirmed
	Total	**25.00**		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating derives comfort from experienced management, improving scale of operations, diversified product portfolio with geographical presence and comfortable debt protection metrics. However, the strengths are partially offset by thin profitability margin, highly competitive and fragmented nature of industry and risk associated with currency fluctuations and regulatory changes.

Key Rating Sensitivities

Upward Factors

- Improvement in operating income, profitability and net worth.
- Efficient working capital management

Downward Factors

- Any decline in revenues and/or profitability.
- Higher debt corresponding to cash accruals

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced management

The management of Kisha Telelinks Pvt Ltd has got over two decades of experience in the consumer electronics industry where they have been dealing with export of mobile handsets and accessories. Through this management has been able to forge healthy relationship with suppliers and get repetitive orders from customers.

Improving scale of operations and operating margins

Kisha Telelinks Pvt Ltd has recorded an operating income of Rs. 180.84 Crs as on 31 March 2019 and revenues has been growing at a CAGR of ~20 per cent over past three fiscals. On y-o-y there has been an increase of 7.42% from FY 18 to FY 19 indicating buoyant sales from the trading activities. It was able to record a progress in EBITDA margin from 1.45% in FY 18 to 1.58% in FY 19 due to rise in revenues.

Diversified product/brand profile with geographical presence

KTPL is engaged in trading of various products such as mobile phones of branded companies: Apple, Samsung, Reliance Jio and Huawei – Honor, Mac books of Apple, Smart watches of Apple, mobile accessories of Apple and music player of Saregama Carvaan. Moreover the company has got its presence in domestic as well as export market.

Comfortable debt protection metrics

The company has been reporting comfortable debt coverage indicators over the years. During FY 19, overall gearing ratio stood at 0.96 despite slight deterioration from the previous fiscal. Due to comfortable adjusted net worth it is having a better Total Outside Liabilities to Adjusted Net Worth (TOL/ANW) of 1.29 and it has improved from previous year's ratio of 1.93. The current ratio also improved in FY 19 from FY 18 where it stood at 1.66 times against 1.50 times. The company has no major fixed repayment obligation as on 31 Mar 2019.

Key Rating Weaknesses

Thin Profitability margin

The company reported a PAT of Rs. 0.89 Crs in FY19 which is marginally lower than the previous years' of Rs.0.92 Crs. The PAT for FY-19 did not show much progress on account of interest payments for its debt obligations and adjustments for depreciation. The working capital borrowings has increased in FY-19 causing interest burden for the company. The total debt to GCA stood at 13.33 times in FY-19 against 6.48 times in previous fiscal.

Highly competitive and fragmented industry

KTPL operates in an industry which is characterized by intense competition from domestic and foreign players. The entry barriers are low which results in thin margins. The industry is also prone to technology changes and customer preferences.

Exposure of export sales to currency fluctuations and regulatory changes

Around 42 per cent of company's revenue is derived from exports and hence its profitability remains susceptible to currency fluctuations. The company mainly exports to UAE and Hong Kong and currently there are no import duty restrictions on these products. Any adverse regulatory changes in these economies would have an adverse impact on the revenues of KTPL.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The company's liquidity in terms of current ratio is adequate as the current ratio stands at 1.66 times. However, total debt to cash accruals is high and stands at 13.33 times due to bank borrowings. With average utilization of its working capital limits at 96 per cent, the liquidity is stretched.

About the Company

Kisha Telelinks Private Limited (KTPL), incorporated in 2004, is engaged in the export, distribution, and wholesaling business of mobile handsets, accessories, mobile services, and other electronic gadgets. The Company is promoted by Mr Kailash Karamchandani and his family members. The promoters are engaged in the distribution and mobile services for more than 2 decades.

Financials **(Rs. crore)**

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	168.35	180.84
EBITDA	2.44	2.87
PAT	0.92	0.89
Total Debt	6.03	12.49
Tangible Net worth	3.88	4.77
Ratios		
EBITDA Margin (%)	1.45	1.58
PAT Margin (%)	0.55	0.49
Overall Gearing Ratio (x)	0.62	0.96

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A
Acuité vide its press release dated 03 Jan 2019 has migrated the ratings of Kisha Telelinks Private Limited to Issuer not co-operating category due to non-availability of information.
Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Limits – Cash Credit	Long Term	2.00	IVR BB+/Stable Outlook (IVR Double B Plus With stable outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with stable outlook) - February 13, 2020	--	--
2.	Fund Based Limits – Packing Credit	Long Term	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with stable outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with stable outlook) - February 13, 2020	--	--
3.	Fund Based Limits (Proposed)– Packing Credit	Long Term	9.00	IVR BB+/Stable Outlook (IVR Double B Plus with stable outlook	--	--	--
3.	Non Fund Based Limits – Letter of Credit	Short Term	4.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus) - February 13, 2020	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	--	--	--	2.00	IVR BB+ / Stable Outlook (IVR Double B Plus with stable outlook)
Long Term Fund Based Limits – Packing Credit				10.00	IVR BB+ / Stable Outlook (IVR Double B Plus with stable outlook)
Long Term Fund Based Limits (Proposed) – Packing Credit				9.00	IVR BB+ / Stable Outlook (IVR Double B Plus with stable outlook)
Short Term Facility – Non Fund Based – Letter of credit				4.00	IVR A4+ (IVR A Four Plus)