

Syska Led Lights Private Limited

January 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank facilities (Fund based)	90.00	CARE A-/Negative (A Minus; Outlook: Negative)	Reaffirmed
Short Term Bank facilities (Non-fund Based)	52.00	CARE A2 (A Two)	Reaffirmed
Total Facilities	142.00 (Rupees One Hundred and Forty Two crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Syska Led Lights Private Limited (SYSKA LLPL) derives strength from the extensive experience of the promoters in the mobile distribution business, large scale of operations and presence across business segments with widespread distribution network and moderate overall gearing and debt coverage indicators of SSK group. The rating is further strengthened by SSK group's established and strong market position backed by association with leading brand "Samsung" in the mobile distribution space.

However, the ratings continues to be constrained by low profitability margins (an inherent characteristic of mobile distribution business) in SSK group, low bargaining power with the principle/suppliers, intensely competitive nature of mobile distribution business, working capital intensive nature of operations and exposure to technology obsolescence risk.

The ability of SSK group to manage effectively its incremental working capital requirement, maintain its control over assigned territory and ability of its principle (Samsung) to maintain its market share are key rating sensitivities.

Outlook: Negative

The outlook is 'Negative' on account of expected continual stress on the solvency position of the company characterized by lower profitability in the business due to increased competition in the mobile business and likely impact of demonetization. The outlook may be revised to 'Stable' if the operating performance improves on a sustainable basis and/or more than envisaged equity infusion by the promoters in the group.

Detailed description of the key rating drivers

SSK group is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani, who have a rich experience of over two decades in the mobile distribution industry.

Apart from Samsung mobile distribution, the company is into distribution of Samsung home appliances and mobile accessories. The group has forayed into assembling and selling LED lights under its brand name 'SYSKA' and has been able to establish its presence in the Indian market. The group also provides electronic data delivery, printing of cheques and current/savings account statements to banks/financial institutions.

SSK group enjoys a strong market position in the mobile distribution business as it has the sole National distributorship of mobile handsets and tablets for Samsung India Electronics Private Limited (Samsung) in five states of India namely, Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh and Chhattisgarh.

SSK group with a turnover of Rs.8,641 crore in FY16 (refers to the period April 1 to March 31) is relatively a large player in the distribution business. The SSK group reported a revenue growth of 8% in FY16, with major revenue contribution coming from Shree Sant Kripa Appliances Private Limited (SSKAPL; 87% of net sales in FY16) through its wholesale mobile distribution business.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

SSK group's capital structure and debt coverage indicators remain in the modest category. The group's overall gearing remains at 2.31 times as on March 31, 2016 vis a vis 2.25 times as on March 31, 2015.

The mobile distribution business remains competitive with a low degree of product differentiation throughout the industry with most of the players supplying mobile of limited established brands.

The profit before interest, depreciation and tax (PBILDT) margins stood at 2.07% in FY16 vis-a-vis 2.09% in FY15 and profit after tax (PAT) margins stood at 0.47% in FY16 vis a vis 0.53% in FY15. The low profitability margin is a characteristic of mobile distributors and profitability in these businesses are largely driven by volumes. Samsung contributes to around 90-95% in the total revenue of the company. This exposes the company to supplier concentration risk. However the company is expanding its business in the electrical fitting segment through establishment of its own brand "SYSKA LED" to improve its margins and reduce concentration risk going forward.

On an average, the group maintains around 25-30 days of inventory and receivables are generally realized within the same time period. In FY16, the net operating cycle days remained at 44 days in similar line as of previous year.

Analytical approach:

CARE has combined the business and financial risk profiles of SYSKA LLPL with its group companies.

The SSK Group comprises of the following entities:

1. SSKAPL
2. Bagh Bahar Appliances Private Limited (BBAPL)
3. SSK Infotech Private Limited (SSKIPL)
4. SSK Retails Private Limited (SSKRPL)
5. SYSKA LLPL
6. SSK Accessories Private Limited

The combined view is on account of the above entities in the group are in similar lines of business having operational and financial linkages, fungible cash flows, and are held by the same promoter in Shree Sant Kripa (SSK) group.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Wholesale Trading](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

About the Company

SSK group forayed into electrical fittings in FY14 through establishment of **SYSKA LLPL**. The company is in the business of importing, testing, and sale of LED technology, solar PV solutions, hi-tech batteries system integration, solar based uninterruptible power supply (UPS) and inverters. The company imports LED products from various companies in South Korea, assemble and sell under its brand name SYSKA. SYSKA LED does business in 18 states in India through 450 distributors and exclusive retail showrooms at 70 locations and is setting up operations in international markets as well. The imported components are assembled at its factory located in Rabale, Maharashtra.

SSKAPL is the flagship company of the Pune-based SSK group. The company is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani. The company was originally established as a partnership firm in 2002, and was reconstituted as a private limited company in 2006. The company is an exclusive distributor of Samsung mobiles, accessories, and tablets for five states in India. Also, the company is a distributor of Samsung home appliances in the Mumbai region.

BBAPL is a dealer of the flagship company, SSKAPL. BBAPL is the exclusive distributor for Samsung home appliances in Jalgaon, Aurangabad, and Pune in Maharashtra and in Goa, and mobile distribution in Pune. During FY16, it further expanded its territories in Satara and Sangli.

SSKIPL provides electronic data services and solutions to telecom and multi-national companies; and printing and mailing activities such as printing of cheques and current/savings account statements, mainly for banks. The company's four printing facilities are based out of Pune, Mumbai, Gurgaon and Hyderabad.

SSKRPL are dealers in a wide range of telecom devices/appliances, accessories and peripherals. SSKRPL operates 34 Samsung Smart Phone Cafes across India (in Maharashtra, Madhya Pradesh, Gujarat and Goa). The company also deals in mobile gadget secure product of SYSKA brand.

SSK Accessories Private Limited engages in the trading of mobile and computer accessories. However going forward the management is not likely to continue the business under this company and is in the process of transferring the business into SSKAPL.

At a combined level, the PAT of SSK group stood Rs.40 crore on a total operating income of Rs.8,641 crore in FY16 vis-à-vis PAT of Rs.43 crore on a total operating income of Rs.7,984 crore in FY15.

Status of non-cooperation with previous CRA:

CRISIL Limited in its press release dated June 7, 2016 suspended its rating on the bank facilities of SYSKA LLPL. The suspension of the rating is on account of non-cooperation by SYSKA LLPL with CRISIL's efforts to undertake a review of the ratings outstanding. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument/ facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	90.00	CARE A-; Negative
Non-Fund Based - ST-BG/LC	-	-	-	52.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history for past three years			
			Amount Outstanding (Rs. crore)	Rating	Dates & Ratings assigned in 2016-2017	Dates & Ratings assigned in 2015-2016	Dates & Ratings assigned in 2014-2015	Dates & Ratings assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	90.00	CARE A-; Negative	1) CARE A- (18-04-2016)	-	-	-
2.	Non-Fund Based - ST-BG/LC	ST	52.00	CARE A2	1) CARE A2 (18-04-2016)	-	-	-

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CIN - L67190MH1993PLC071691