

Uni-Com India Private Limited

March 12, 2018

Rating

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|-----------------------------------------------|-------------------------------------------------------------|---------------|
| Long-term Bank Facilities | 80.00 (reduced from 84.00) | CARE A-; Stable (Single A minus; Outlook: Stable) | Reaffirmed |
| Short-term Bank Facilities | 20.00 (enhanced from 16.00) | CARE A2+ (A Two Plus) | Reaffirmed |
| Total Facilities | 100 (Rupees One Hundred crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Uni-Com India Private Limited (UCPL) continue to derive strength from the promoters' entrepreneurial experience with a sound track record in the mobile distribution business, its wide distribution network and association with Samsung India Electronics Private Limited (Samsung), an established player in the mobile segment. The ratings further derive strength from the healthy scale-up of operations in FY17 on the back of steady increase in the number of distributors, improvement in the overall solvency position and comfortable liquidity position. The ratings are, however, constrained by the low profitability margins, high level of competition from other mobile brands and the dynamic nature of the mobile handset industry.

Going forward, the ability of the company to profitably scale-up its operations while maintaining its comfortable solvency and liquidity position shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Entrepreneurial experience of the promoters with a sound track record in mobile distribution: UCPL is promoted by Mr Hemant Wadhwa and Mr Ajit Rakheja holding joint stake in UCPL. Mr Hemant Wadhwa has an overall experience of more than two decades in the sales and marketing with reputed FMCG companies and looks after sales & marketing side of the company. Mr Ajit Rakheja has an experience of more than one and a half decade in running their proprietary business ventures and looks after finance & administration, human resources side of the company. The promoters also have experience of about 7 years in the distribution of Nokia and Samsung Mobiles handsets in the state of Punjab prior to setting-up UCPL.

Association with an established player, Samsung, having a strong presence in mobile handset segment: UCPL has been associated with Samsung for around 10 years. The company deals in all ranges of mobile phones & other associated products in the entire state of Punjab, Chandigarh, Himachal Pradesh and Jammu. The company was assigned distributorship of Jammu & Himachal Pradesh from September, 2015 onward. In the past, majority of the income of UCPL has been derived from the mobile handset sales. Samsung is an established player in the market, especially, in smart phones segment which is witnessing promising growth in India. While most players are strong in a particular category, Samsung is expected to maintain a strong presence across the spectrum, driven mainly by innovation, quick time-to-market and a segmented approach.

Wide distribution network: The company operates mobiles business through a chain of Market Development Distributors (MDDs) across various locations in Punjab and Chandigarh. The number of MDDs has steadily increased from 32, as on March 31, 2010 to 118, as on March 31, 2017, which has further increased to 130, as on December 31, 2017. As a result, UCPL has witnessed a sharp jump in the revenue which has increased by ~21% in FY17, on account of robust demand of Samsung mobile phones.

In 9MFY18 (Prov.), the total revenue garnered by the company increased by ~3% as compared to same period last year. The entire revenue was from mobiles segment since company closed down its CE business in June'16. The company had a PBILDT margin of 1.87% during the period with interest coverage ratio of 16.09x [1.75% and 17.64x, respectively, in 9MFY17 (Prov.)].

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

Improved capital structure with comfortable liquidity position: UCPL had negligible term debt outstanding as on March 31, 2017 with total debt primarily including working capital bank borrowings. The capital structure of the company improved on a year-on-year basis with long term debt to equity and overall gearing ratios improving to 0.01x and 0.06x, respectively, as on March 31, 2017 (0.01x and 0.74x, respectively, as on March 31, 2016). This was mainly on the back of lower utilization of the sanctioned cash credit limits and accretion of profits to the networth. Furthermore, the debt coverage indicators of the company improved in FY17 as reflected by interest coverage ratio of 20.35x in FY17 (5.40x in FY16) and total debt to GCA of 0.21x as on March 31, 2017 (2.73 x, as on March 31, 2016) on account of lower interest expenses and healthy cash accruals generated.

The operating cycle of UCPL remained at a comfortable level and improved slightly to around 14 days as on March 31, 2017 from 19 days, as on March 31, 2016 mainly due to decrease in average inventory days. The average monthly utilization of cash credit limits remained at a comfortable level of ~12% for the last 12 months ended December-2017.

Key Rating Weaknesses

Low profitability margins and high competition: UCPL operates at low profitability margins mainly due to the trading nature of the company's operations. The profitability of the company is largely linked to the distribution margins passed by Samsung to UCPL. However, there is no major price risk to the company, as most of the price changes in the final product are pass-through in nature for the distributor. In FY17, the PBILDT margin of the company improved marginally to 1.82% (1.80% in FY16) mainly on account of lower expenses incurred on marketing activities.

High competition: Though Samsung has an established market position, the company faces competition from distributors of other mobiles manufacturers in the local region coupled with the dynamic nature of the mobile industry. Going forward, the prospects of UCPL would largely depend upon its ability to maintain the revenue growth in the competitive mobile distribution business along with improvement in profitability margins.

Analytical Approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Wholesale Trading](#)

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

Company Background

Incorporated on January 12, 2009, Uni-Com India Private Limited (UCPL) is promoted by Mr Hemant Wadhwa and Mr Ajit Rakheja. UCPL is an authorized distributor of Samsung India Electronics Private Limited (Samsung) and is engaged in the distribution and sale of Samsung mobiles and accessories in Punjab, Chandigarh, Himachal Pradesh and Jammu. UCPL operates through three retail showrooms across Punjab and has a chain of Samsung Regional Distributors (MDDs)/dealers across various locations in Punjab, Himachal Pradesh, Jammu and Chandigarh. From May 2012 onwards, the company also started dealing in distribution of consumer electronics (CE) products of Samsung in Punjab which was, subsequently, closed down in June-16. Furthermore, during FY17, UCPL has incorporated a wholly owned subsidiary by the name of Uni-com Fincorp Private Limited which is registered as a non-deposit taking NBFC (Non-Banking Financial Company) with RBI and has started operations from July-17. It is engaged in the lending of mortgage loans (loan against property & home loans), auto loans and small business loans. UCPL has another subsidiary by the name of Unicom Enterprises India Pvt. Ltd. (UEIPL) which is engaged in the distribution of Samsung mobile handsets and accessories.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 1569.71 | 1895.61 |
| PBILDT | 28.33 | 34.42 |
| PAT | 14.55 | 21.72 |
| Overall gearing (times) | 0.74 | 0.06 |
| Interest coverage (times) | 5.40 | 20.35 |

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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:

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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 | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-------------------------------------|------------------|-------------|---------------|-------------------------------|-------------------------------------------|
| Fund-based - LT-Cash Credit | - | - | - | 80.00 | CARE A-; Stable |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 20.00 | CARE A2+ |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|----------------------------------------|-----------------|--------------------------------|-----------------|-------------------------------------------|-------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 80.00 | CARE A-; Stable | - | 1)CARE A-; Stable (18-Jan-17) | 1)CARE BBB+ (21-Mar-16) 2)CARE BBB+ (14-Apr-15) | 1)CARE BBB+ (17-Nov-14) 2)CARE BBB (08-Apr-14) |
| 2. | Non-fund-based - ST-Bank Guarantees | ST | 20.00 | CARE A2+ | - | 1)CARE A2+ (18-Jan-17) | 1)CARE A2+ (21-Mar-16) 2)CARE A2+ (14-Apr-15) | 1)CARE A2+ (17-Nov-14) 2)CARE A2+ (08-Apr-14) |
| 3. | Fund-based - ST-Working Capital Limits | ST | - | - | - | - | 1)Withdrawn (14-Apr-15) | 1)CARE A2+ (17-Nov-14) 2)CARE A2+ (08-Apr-14) |

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