

Fusion Voice Solutions India Private Limited

May 03, 2021

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	18.00 (Rs. Eighteen Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 11, 2020, placed the rating of Fusion Voice Solutions India Private Limited (FVSIPL) under the 'Issuer Non-Cooperating' category as FVSIPL had failed to provide information for monitoring of the rating. FVSIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 20, 2021 and April 26, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating takes into account low profitability margins, leveraged capital structure and high reliance of working capital limits. It also considers the decline in the total operating income during FY20 (FY refers to period from April 01 to March 31). The rating, however, derives strength from experienced and resourceful promoters with an extensive experience in distribution business and stable industry outlook.

Detailed description of the key rating drivers

At the time of the last rating on February 11, 2020; the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Low operating margins owing to trading nature of business: The profitability is on the lower side, despite increasing revenue due to low value additive trading nature of business. During FY16-FY18, the PBILDT margin of the company ranged from 1.09% to 1.24% which increased to 1.77% in FY19 and moderated to 1.61% in FY20.

Leveraged capital structure: The capital structure of the company is leveraged as marked by overall gearing level of 4.55x as on March 31, 2018 which marginally improved to 3.19x as on March 31, 2019 and further to 3.03x as on March 31, 2020.

Weak liquidity position and high reliance of working capital limits: The liquidity position of the company was weak. The cash and bank balance of Rs.0.03 crore as on March 31, 2018 which continues to remain at similar level of Rs.0.02 crore as on March 31, 2019 and Rs.0.04 crore as on March 31, 2020. Furthermore, the operating cycle of the company was comfortable at 34 days for FY18, however, the same has increased to 54 days in FY19 and further to 66 days in FY20 leading to high utilization of working capital limits.

Client concentration with single brand distribution: FVSIPL generates revenue only from distribution of Nokia brand mobile phones and its scale of operations is dependent on success of the Nokia business model and acceptance of mobile phones by the customers. Further, top 3 clients contribute about 75% of the sales in FY18.

Key rating Strengths:

Experienced promoters with an extensive experience in distribution business: The company is promoted by Ms. V. Jogulamba, Mr. G. Balasubramanian, Mr. V. Prabhu Prasad and Ms. V. Smita, who have extensive experience in the distribution business. Apart from FVSIPL, the promoters of the company have also ventured into diversified fields of business like automobiles, travel trade, jewelry business, retailing, distribution and beauty & wellness.

Increasing trend in revenue during FY16–FY18 barring FY17 with moderate scale of operation: The total operating income of the company has shown an increasing trend during FY16-18 barring FY17. However, after the dip in sales in FY17, FVSIPL has managed to increase its scale of operations by 2.55x from Rs.24.32 crore in FY17 to Rs.86.45 crore in FY18. The decline in income during FY17 is mainly on account of lack of demand for Nokia mobile phones as it was going through transition phase, wherein it shifted its operating system from Microsoft to Android in their mobile phones. The revenue increased to Rs.102.90 crore in FY19, however, during FY20, it has dipped by about 15% to Rs.86.94 crore.

Stable industry outlook albeit competitive industry: The Wholesale trading industry acts as an intermediary between manufacturers and secondary processors and consumers. The expected growth in disposable income and the changing lifestyle

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

of Indian population are likely to increase discretionary spending leading to benefit the intermediaries like distributors and retailers.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology - Wholesale Trading](#)

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

About the Company

Fusion Voice Solutions India Private Limited (FVSIPL), based out of Vijayawada, Andhra Pradesh, was initially set up as a proprietary concern and later reconstituted as a private limited company on March 6, 2008. The company has been appointed as distributor for Nokia mobile phones and accessories in the state of Telangana and Andhra Pradesh. The company primarily distributes Nokia mobile phones to the retail mobile chains in the states of Andhra Pradesh and Telangana. The promoters of the company also have business interest in automobile sales & service, travel trade, retailing, distribution and beauty & wellness industry in Vijayawada, Andhra Pradesh.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	102.90	86.94
PBILDT	1.82	1.40
PAT	0.08	0.06
Overall gearing (times)	3.19	3.03
Interest coverage (times)	1.13	1.18

A: Audited

Status of non-cooperation with previous CRA: CRISIL Ratings vide its press release dated May 07, 2020 continues to classify FVSIPL under Issuer Non-Cooperating as FVSIPL did not provide the requisite information needed to conduct the rating exercise.

Any other information: Not Applicable

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

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instrument/facilities is given in Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	18.00	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Working Capital Limits	LT	18.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Feb-20)	1)CARE BB-; Stable (17-Dec-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities- NA

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Working Capital Limits	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. 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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