

Bagh Bahar Appliances Private Limited

December 06, 2022

Rating

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	80.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Total Bank Facilities	80.00 (₹ Eighty Creore Only)		

Details of facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated August 05, 2021, placed the rating(s) of Bagh Bahar Appliances Private Limited (BBAPL) under the 'issuer non-cooperating' category as BBAPL had failed to provide information for monitoring of the rating. BBAPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated November 24, 2022, and November 25, 2022.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has revised the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

The revision in ratings factor in stretched liquidity as indicated by continued full utilisation of limits.

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

Detailed description of the key rating drivers

At the time of last rating on August 05, 2022, the following were the rating strengths and weaknesses considered (updated for the information available from Annual Report).

Key Rating Weaknesses

Continued full utilization of limits: During our due diligence exercise dated November 28, 2022, with the banker, Banker has confirmed the limits remain fully utilized on account of increase in working capital requirements, indicating stretched liquidity.

Competitive and trading nature of business leading to low profitability margins: 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. SYSKA group's PBILDT margins have improved by 87 bps to 1.85% in FY20 (as against 0.98% FY19) primarily on account of recording higher level of PBILDT in one of the group companies of Syska Group, namely SYSKA LED Lights Private Ltd., by 51.74% (from Rs.39.66 crore in FY19 to Rs.60.18 crore in FY20). Furthermore, the PAT margin of the group has marginally improved from 0.99% in FY19 to 1.10% in FY20) on account of lower taxes paid in FY20.

Working capital intensive nature of operations: Working capital intensity is another inherent characteristic of the mobile distribution business. In general, the group maintains around 21-25 days of inventory and receivables are generally realized within the same time period. However, the group's operating cycle of around 44 days is in similar line as of previous year. Due to high working capital intensity, there is high dependency on external borrowing to fund its incremental working capital requirements.

Limited bargaining power with principal and high supplier concentration risk: Samsung contributes to around 90-95% in the total revenue of the company. This exposes the company to supplier concentration risk. Also, the group has low bargaining power with the principal.

Technology Obsolescence Risk: Technological obsolescence is an inherent risk in any technology related business and also applies to the mobile handset's distribution business. However, the company's vendors continue to provide significant support against technological obsolescence. SSKAPL is compensated when a new model is launched, and the existing model is to be sold at a discount. Nonetheless, SSKAPL continues to remain exposed to the risk associated with inventory holding and stock liquidation, which could have an adverse impact on its profitability in the event of the company being unable to liquidate the inventory timely.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced promoters with long track record in Mobile Distribution business: SYSKA 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. The group has a long track record of operating in the mobile distribution segment and has established itself as a sole distributor of Samsung in the five states of India. [Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh, and Chhattisgarh].

Diversified product portfolio: The group has a diversified product portfolio with the majority of the revenue being generated through the distribution of Samsung mobiles. The group is also 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 (operational as SLLPL). It also provides electronic data delivery, printing of cheques and current/savings account statements to banks/financial institutions.

Widespread distribution network with a strong market position viz. sole distributor of Samsung mobiles handsets in five states of India: SYSKA 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.

Established market presence backed by highest market share of Principal (Samsung) in domestic market: SYSKA group has exclusive distributorship of Samsung Smart phones and tablets in Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh & Chhattisgarh. The principal Samsung has been having the largest market share in India over the years. Samsung has a market share of 22.6% in the Indian Smart Phone market for the quarter ended June 2022.

Analytical approach: Combined

The rating is based on combined view of the financials of Shree Sant Kripa Appliances Pvt Ltd (SSKAPL) with its group companies viz. Bagh Bahar Appliances Pvt Ltd (BBAPL), SSK Retail Pvt Ltd (SRPL), SYSKA Led Lights Pvt Ltd (SLLPL), SSK Infotech Pvt Ltd (SIPL) and SYSKA E Retails LLP (SEL), collectively called as 'SYSKA Group', as they have a similar line of business and are held by the same promoters. Moreover, there are intercompany transactions indicating operational linkages and also financial support is offered to each other and corporate guarantees are given for facilitating bank debt.

Applicable Criteria

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

[Policy on default recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Rating Methodology - Wholesale Trading](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

About the Company

The SSK Group comprises of the following entities:

1. Shree Sant Kripa Appliances Pvt Ltd (SSKAPL)
2. **Bagh Bahar Appliances Pvt Ltd (BBAPL)**
3. SSK Infotech Pvt Ltd (SIPL)
4. SSK Retails Pvt Ltd (SRPL)
5. SYSKA Led Lights Pvt Ltd (SLLPL)
6. SYSKA E-retails LLP (SEL)

SSKAPL is the flagship company of the Pune-based SSK group. It is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani. Established as a partnership firm in 2002, and reconstituted as a private limited company in 2006, SSKAPL is the exclusive distributor of Samsung mobiles, accessories, and tablets for five states in India: Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh, and Chhattisgarh. It is also a distributor of Samsung home appliances in the Mumbai region.

BBAPL is a closely held private limited company and dealer of the flagship company SSKAPL. BBAPL is also the exclusive distributor for Samsung home appliances in Jalgaon, Aurangabad, Pune, Satara and Sangli in Maharashtra, and in Goa and mobile distribution in Pune.

SIPL provides electronic data services and solutions to telecom and MNCs; and printing and mailing activities such as printing of cheques and current/savings account statements, mainly for banks. It has four printing facilities based out of Pune, Mumbai, Gurgaon, and Hyderabad.

SRPL are dealers in a wide range of telecom devices/appliances, accessories, and peripherals. SSKRPL operates 28 Samsung Smart Phone Cafes across India (in Maharashtra, MP, Gujarat, and Goa). It also deals in Mobile Gadget Secure of SYSKA brand.

SSK group forayed into electrical fittings in FY14 through establishment of **SLLPL**. The company is in the business of importing, testing, and sale of LED technology, Solar PV solutions, Hi Tech Batteries System Integration, Solar based UPS & Inverters. It imports LED products from various companies in South Korea, assembles and sells under its brand name SYSKA. SLLPL does

business in 18 states in India through 489 distributors and exclusive retail showrooms at 80 locations and is setting up operations in international markets as well. The imported components are assembled at Rabble factory in Maharashtra.

SEL was established in 2015 and is promoted by Ms. Honey Uttamchandani (daughter of Mr. Govind Uttamchandani) and Ms. Gitika Uttamchandani (daughter of Mr. Rajesh Uttamchandani). The company is engaged in the trading of SYSKA brand of products which includes lighting products (LED bulbs, tube lights, panel lights etc), personal grooming products (trimmers, shavers, hair straighteners, irons, etc.) and several other (power banks, Bluetooth speakers) through e-commerce platforms. The firm procures goods from group companies namely SYSKA LED Lights Private Limited (SLLPL) and Shree Sant Kripa Appliances Private Limited (SSKAPL) and sells to online portals like Amazon, Flipkart, Paytm, Snapdeal, Tata Clip to name a few.

Brief Financials (Combined) (₹ crore)	FY20 (A)	FY21 (A)	FY22 (A)	H1FY23
Total operating income	9700.69	NA	NA	NA
PBILDT	150.36	NA	NA	NA
PAT	36.27	NA	NA	NA
Overall gearing (times)	2.24	NA	NA	NA
Interest coverage (times)	1.14	NA	NA	NA

A: Audited, NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of various facilities rated for this company: Annexure-4

Annexure-1: Details of facilities

Name of the Facility	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	80.00	CARE B; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	80.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable; ISSUER NOT COOPERATING* (05-Aug-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (05-Aug-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Jul-20) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (13-May-20)	-

*Long term/Short term.

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

Annexure-4: Complexity level of various facilities rated for this company

Sr. No.	Name of Facility	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated facilities: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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