

## Salora International Limited

July 20, 2021

### Ratings

| Facilities/Instruments       | Amount (Rs. crore)                                       | Ratings <sup>1</sup>  | Rating Action   |
|------------------------------|--|---|---|
| Long Term Bank Facilities    | 55.00  | CARE B-; Stable;<br>ISSUER NOT COOPERATING*<br>(Single B Minus; Outlook: Stable<br>ISSUER NOT COOPERATING*) | Rating continues to remain under<br>ISSUER NOT COOPERATING category |
| Short Term Bank Facilities   | 15.00  | CARE A4;<br>ISSUER NOT COOPERATING*<br>(A Four<br>ISSUER NOT COOPERATING*)                                  | Rating continues to remain under<br>ISSUER NOT COOPERATING category |
| <b>Total Bank Facilities</b> | <b>70.00</b><br><b>(Rs. Seventy</b><br><b>Core Only)</b> |   |   |

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated May 22, 2020, placed the rating(s) of Salora International Limited (SIL) under the 'issuer non-cooperating' category as SIL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated July 13, 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(s).**

The ratings have been reaffirmed on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

### Detailed description of the key rating drivers

At the time of last rating on May 22, 2020, the following were the rating strengths and weaknesses (updated for the information available from BSE India):

#### Key Rating Weaknesses

**Subdued operational performance:** The total income of the company declined to Rs. 90.12 crore in FY21 (refers to the period April 1 to March 31) (PY: Rs. 169.15 cr), mainly because of decrease in the revenue from consumer electronic division from Rs. 165.34 cr. during FY20 to Rs. 87.78 cr in FY21. Consequently, SIL reported loss at PBILDT level Rs. 2.20 cr. during FY21 (PY: Loss of Rs. 3.21 cr.).

**Weak financial risk profile:** The overall gearing of the company deteriorated to 1.50x as on March 31, 2021 (PY: 1.20x). The company reported interest coverage of Rs. -0.36x during FY21 (PY: -0.43x).

**High competition:** The company is present in a highly competitive and price sensitive industry. The industry is highly fragmented with numerous players operating with negligible product differentiation. Large presence of players makes the segment highly competitive and sensitive to any price fluctuation, thereby, constraining industry pricing power.

#### Key Rating Strengths

**Experienced promoters:** SIL has a long track record of operations of more than three decades. Currently, the company is being run by second and third generation of the Jiwaraajka family. Mr GK Jiwaraajka (Managing Director) has more than 17 years of experience in television manufacturing, assembling, telecom and related fields. SIL became a public listed company in 1993.

**Strong distribution and service network and rekindled focus on Salora brand:** SIL has a wide network of branch offices across states in India and 200 service tie-up/networks in 127 cities, involving more than 500 dealers and distributors. SIL uses its pan-India sales and service operations for distributing its SALORA brand TVs (CRT, LCD and LED), TV components, lifestyle & household products like home theatre systems, mobile etc. SIL also provides distribution and after sales services for range of products like mobiles, data cards, etc., for other national and international brands. The company plans to launch new products under the Salora brand and increase visibility in the market.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

**Liquidity analysis: Weak:**

The company has reported losses at PAT level of Rs. 11.41 cr during FY21 (PY: loss of Rs. 13.54 cr). The overall gearing of the company deteriorated to 1.50x as on March 31, 2021 (PY: 1.20x). The current ratio stood at 1.01x as on March 31, 2021.

**Analytical approach:** Standalone

**Applicable Criteria**

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Wholesale Trading](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Liquidity Analysis of Non-financial sector entities](#)

**About the Company**

Salora International Limited (SIL) is currently engaged into trading and manufacturing of mobile handsets and televisions. The commenced its operations in 1977 under the guidance of Mr S R Jiwaraajka and Mr Obel Reddy. Presently, the company is managed by Mr. Gopal Jiwaraajka and his sons, Mr. Tarun Jiwaraajka (Marketing and Finance) and Mr. Ayush Jiwaraajka (Technology & Operations). The company operates in two segments viz. Consumer Electronics and wind energy segment.

| Brief Financials (Rs. crore) | FY20 (A) | FY21 (A)* |
|------------------------------|----------|-----------|
| Total operating income       | 169.15   | 90.12     |
| PBILDT                       | -3.21    | -2.20     |
| PAT                          | -13.54   | -11.41    |
| Overall gearing (times)      | 1.20     | 1.50      |
| Interest coverage (times)    | -0.43    | -0.36     |

A: Audited

\*Detailed audit report not available

**Status of non-cooperation with previous CRA:** Not applicable

**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 instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instrument / 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 | -                | -           | -             | 55.00                         | CARE B-; Stable; ISSUER NOT COOPERATING*  |
| Non-fund-based - ST-BG/LC   | -                | -           | -             | 15.00                         | CARE A4; 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-Cash Credit            | LT              | 55.00                          | CARE B-; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (22-May-20) | -   | 1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Mar-19)<br>2)CARE BB; Stable (05-Apr-18) |
| 2.      | Non-fund-based - ST-BG/LC              | ST              | 15.00                          | CARE A4; ISSUER NOT COOPERATING*         | -   | 1)CARE A4; ISSUER NOT COOPERATING* (22-May-20)         | -   | 1)CARE A4; ISSUER NOT COOPERATING* (22-Mar-19)<br>2)CARE A4 (05-Apr-18)                 |

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable

## Annexure-4 Complexity level of various instruments rated for this Company

| Sr. No. | Name of the Instrument      | Complexity Level |
|---------|-----------------------------|------------------|
| 1.      | Fund-based - LT-Cash Credit | Simple           |
| 2.      | Non-fund-based - ST-BG/LC   | Simple           |

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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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