

Pittappillil Agencies

January 21, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	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 B+; Stable; (Single B Plus; Outlook: Stable)
Total Bank Facilities	20.00 (Rs. Twenty Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had vide its press release dated January 24, 2020 placed the rating of Pittappillil Agencies (PA) under the issuer non cooperating category as PA had failed to provide information for monitoring of the rating. PA continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated January 15, 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 revision in rating factors in the unavailability of adequate information for reviewing the rating

Detailed description of the key rating drivers

At the time of last rating on January 24, 2020 the following were the rating strengths and weaknesses. (Updated for the latest information available from the firm)

Key Rating Weaknesses

Thin profit margins: The profit margins of the firm remained low due to trading nature of the business and intense competition both from organized as well unorganized players in the industry. This coupled with low entry barriers puts pressure on the margins of the firm.

Leveraged capital structure and weak debt coverage indicators: The overall gearing of the firm stood at 6.01 times as on March 31, 2019 due to high working capital borrowings availed. The working capital borrowings have increased during the last three years ended FY19 due to opening of new showrooms. Further, debt coverage indicators stood weak because of lower cash accruals of the firm.

Capital withdrawal risk with partnership nature of the firm: The firm being a partnership concern is exposed to inherent risk of capital withdrawal by the partners. This restricts its financial flexibility to a certain extent. Going forward, any substantial withdrawal of any of the partners' capital can impact the net worth and thereby affect the financial profile of the firm.

Key Rating Strengths

Experienced promoter with longstanding track record in retail business: Mr. Peter Paul started the business in 1990 and has gained 30 years of experience in the retail business. PA opened its first showroom in Perumbavoor, Kerala in January 1990 and has expanded to 32 showrooms spread across 16 cities in Kerala as on January 24, 2020.

Well-established operational set up and consistent scaling up over the last two decades: The firm had consistently scaled up its operations with the opening of new showrooms in the major cities of Kerala like Kozhikode and Trivandrum.

Established relationship with suppliers: With over almost three decades of presence in retail trading of electronic goods, PA has established good relationship with its suppliers. PA purchases electronic products directly from the companies like Samsung India Electronics P Ltd (Samsung), LG Electronics I Ltd. (LG), Godrej & Boyce Mfg. Co. Ltd. etc.

Liquidity: Stretched -The liquidity of is stretched marked by tightly matched accruals against the repayment obligations and modest cash balance of Rs.2.28 crore as on March 31, 2019.

Being engaged in the retailing business, the firm has huge investment in inventory due to which the inventory holding period remains high at 92 days during FY19. The operations of the group remain working capital intensive in nature. The group has working capital limits of Rs.16 crore and the average utilization of the same stood moderate at 75% for past twelve months

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

*Issuer did not cooperate; Based on best available information

ended December 2020. The group had availed the moratorium extended by the banks for the period April 2020 to August 2020 as a relief measure for Covid-19 pandemic.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

Criteria on assigning 'Outlook' and 'credit watch' to credit ratings

Financial ratios - Non-Financial Sector

CARE's Policy on Default Recognition

Liquidity Analysis of Non-Financial sector entities

Rating methodology- Wholesale trading

About the Company

Pittappillil Agencies was incorporated in January, 1990 as a partnership firm in Ernakulam, Kerala by Mr. Peter Paul, Managing Partner. PA is a retailing agency engaged in the selling of home appliances (electronic products and furniture). The product line includes electronic items, consumer durables and furniture. As on January 24, 2020, PA has 32 showrooms spread across 16 cities in Kerala. It also sells the products online through its website.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	262.76	365.48
PBILDT	4.12	6.52
PAT	(0.35)	0.49
Overall gearing (times)	6.68	6.01
Interest coverage (times)	1.06	1.24

A: Audited

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: NA

Complexity level of instruments rated: Please refer Annexure-3

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	-	-	-	20.00	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure 2: Rating History for 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	20.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (24-Jan-20)	1)CARE BB-; Stable (23-Nov-18)	1)CARE BB-; Stable (03-Oct-17)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of instruments rated for the company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	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. 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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