Eastern Logica Infoway Limited

March 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	30.00 [enhanced from 25.00]	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB- (Triple B Minus)**
Total	**30.00 (Rupees Thirty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Eastern Logica Infoway Ltd (ELIL) takes into account the improvement in debt coverage indicators and profitability in FY16 (refers to the period April 1 to March 31). The rating continues to draw strength from the long experience of the promoters, diversified product portfolio consisting of all major brands, established market position and distribution network and efficient working capital management. However, the rating continues to be constrained by the low profit margins, regional concentration of sales and fragmented nature of industry with intense competition. Ability of the company to increase scale of operations with improvement in profitability margins while maintaining the capital structure are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and long track record of the company: The promoter of ELIL, Mr. Gaurav Goel, has experience of over two decades in trading of IT products and has been associated with the company since inception. Further, ELIL has a long track record of operation and has witnessed steady growth in revenue over the last few years.

Well diversified mix of products: ELIL has a well-diversified product profile with a product base from 42 reputed brands. The product portfolio includes monitors, laptops, PC hardware components, computer peripherals like printers, scanners, pen drives, software, computer accessories, mobile handsets and cameras.

Established market position: The company is an established player in the computer peripherals and hardware trading market. ELIL has super distributorship/exclusive distribution rights for laptops/monitors and mobile phones in designated regions in West Bengal for certain reputed brands. The company also has tie-ups with national distributors. ELIL has eight retail outlets, all strategically located in and around central Kolkata, in an area which is the hub of IT hardware stores. The company has a wide distributorship network for trading and also sells the products online through its own website and through tie-ups with e-commerce giants.

Improvement in profitability and debt coverage indicators: ELIL's total operating income declined by 6% in FY16 from FY15. PBILDT margin, however, improved on increased sales of products with higher margins though it continued to remain low owing to the trading nature of business and intense competition in the industry. The overall gearing ratio remained stable at 0.59x as on Mar.31, 2016. There is low level of term debt and short term debt majorly comprises working capital borrowings. Interest coverage improved significantly from 1.79x in FY15 to 2.78x in FY16 and total debt/GCA improved to 6.77x in FY16 as against 7.5x in FY15.

Efficient working capital management: The promoters have been continuously infusing equity (Rs.1.05 crore infused in FY16 and Rs.1.61 crore in 10MFY17) to meet working capital requirements. Operating cycle remained stable at 32 days in FY16 (26 days in FY15). The average utilisation of working capital limits was 89% in the 12 months ended Dec.2016.

Key Rating Weaknesses

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Highly competitive market with regional concentration: ELIL is exposed to intense competition due to large number of players operating in the business and the fragmented nature of the industry. Further, the operations of the company are mainly limited to West Bengal, mainly Kolkata. The online business is also highly competitive in terms of pricing.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]
[Criteria on assigning Outlook to Credit Ratings]
[Rating Methodology-Wholesale Trading]

About the Company

ELIL was incorporated as Eastern Infoway Ltd, in July, 1995, promoted by Mr. Gaurav Goel. ELIL is a Kolkata based distributor, dealer and re-seller of laptops, desktops, mobile phones, hardware and computer peripherals. It trades these products online and through its distributorship network and eight retail outlets in Kolkata.
In FY16, ELIL reported PAT of Rs 1.48 crore on total operating income of Rs 301.32 crore against a PAT of Rs 1.05 crore on a total operating income of Rs 319.64 crore in FY15. During the period 10MFY17, ELIL achieved operating income of Rs.266.18 crore and PBT of Rs.2.04 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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:
CARE Ratings commenced operations in April 1993 and over nearly 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.

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	-	-	-	30.00	CARE BBB; Stable

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB; Stable	-	1)CARE BBB- (17-Feb-16)	1)CARE BBB- (06-Jan-15)	-

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CIN - L67190MH1993PLC071691