Eastern Logica Infoway Limited

March 29, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	35.00	**CARE BBB; Stable [Triple B; Outlook: Stable]**	**Reaffirmed**
Total Facilities	**35.00 (Rs. Thirty five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Eastern Logica Infoway Limited (ELIL) 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. The rating also takes into account the significant increase in operating income in FY18 (refers to the period April 1 to March 31) with relatively stable net profit margin and moderate debt protection metrics.

The rating, however, is 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.

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 growth in revenue over the last five years.

Well diversified mix of products: ELIL has a well-diversified product profile with a product base of more than 40 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. Further, it also sells through online platforms.

Relatively stable profitability and moderate debt coverage indicators: The company's total operating income increased by ~27% to Rs.406.19 crore in FY18 from Rs.319.40 crore in FY17 on account of increase in revenue mainly from mobile phones. The company generated sales of Rs.298.22 crore from mobile phones in FY18 as against Rs.188.89 crore in FY17. The net profit margin has remained relatively stable in the last three years ended March 31, 2018. In 9MFY19, ELIL earned PBT of Rs.2.25 crore on gross sales of Rs.286.83 crore.

The overall gearing ratio increased to 1x as on March 31, 2018 as against 0.82x as on March 31, 2017 due to increase in debt funded working capital but it continued to remain moderate. Total debt/GCA ratio also deteriorated with increase in borrowings, but continued to remain moderate. The interest coverage ratio remained stable at 1.95x in FY18 vis-à-vis 1.90x in FY17.

Efficient working capital management: The company's scale of operation has been increasing and accordingly, working capital requirement is also higher. The company stocks inventory for a month in all its retail outlets. It purchases from a number of vendors receiving upto one month's credit depending on the type of product and relationship with the supplier and gives a credit of 35-45 days to its customers. Operating cycle remained stable at 36 days in FY18 as against 37 days in FY17.

Key Rating Weaknesses

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.

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

Low operating margin: PBILDT and PAT margins continue to be thin owing to the trading nature of business and intense competition in the industry. PBILDT margin was further impacted in FY18 on account of write off of a portion of long pending receivables.

Liquidity: The liquidity position of the company is moderate with average utilisation of fund based working capital limits at about 90% in the 12 months ended December 2018. Further, the company has negligible term debt repayment obligations.

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. Apart from wholesale, it trades these products online and through its distributorship network and nine retails outlets in Kolkata and one in Delhi. The retail sales through outlets comprised 17.5% of total sales in FY17 and FY18.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	319.40	406.19
PBILDT	5.92	6.15
PAT	1.67	1.72
Overall gearing (times)	0.82	1.00
Interest coverage (times)	1.90	1.95

A: Audited,

Status of non-cooperation with previous CRA: ICRA had suspended the rating assigned to ELIL vide press release dated January 14, 2014 due to ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating History for 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.*

Analyst Contact:
Name: Ms Mamta Muklania
Tel: 033-4018 1651
Mobile : 98304 07120
Email: mamta.khemka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

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	-	-	-	35.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	35.00	CARE BBB; Stable	1)CARE BBB; Stable (18-Jul-18) 2)CARE BBB; Stable (14-Jun-18) 3)CARE BBB; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	-	1)CARE BBB; Stable (14-Mar-17)	1)CARE BBB- (17-Feb-16)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691