CARE Ratings
Professional Risk Opinion

Eastern Logica Infoway Limited

June 14, 2018

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	30.00	CARE BBB; Stable [Triple B; Outlook: Stable]	Reaffirmed and removed from 'ISSUER NOT COOPERATING'
Total Facilities	**30.00 (Rs. Thirty 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.

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 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.

Relatively stable profitability and moderate debt coverage indicators: The company's total operating income increased by 31% to Rs.418.49 crore in FY18 (prov) from Rs.319.40 crore in FY17 on account of increase in revenue mainly from mobile phones. The company generated sales of Rs.280.41 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.

The overall gearing ratio increased to 1x as on March 31, 2018 (prov) as against 0.82x as on March 31, 2017 and 0.59x as on March 31, 2016 due to increase in debt funded working capital but it continued to be moderate. Total debt/GCA ratio also deteriorated accordingly. The interest coverage ratio remained comfortable at 2.30x in FY18 (prov) 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

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

supplier and gives a credit of 35-45 days to its customers. Operating cycle remained stable at 30 days in FY18 (prov) as against 37 days in FY17 and 32 days in FY16.

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.

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 (prov) on account of write off of a portion of long pending receivables.

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 six retails outlets in Kolkata and one in Delhi.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (P)
Total operating income	319.40	418.49
PBILDT	5.92	5.74
PAT	1.67	2.00
Overall gearing (times)	0.82	1.00
Interest coverage (times)	1.90	2.30

A: Audited P: Provisional

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.*

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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.

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 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	30.00	CARE BBB; Stable	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	-	1)CARE BBB; Stable (14-Mar-17)	1)CARE BBB- (17-Feb-16)

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