

Fusion Voice Solutions India Private Limited

February 11, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Bank Facilities-Fund Based - LT-Cash Credit	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook – Stable) based on best available information
Total	18.00 (Rs. Eighteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Fusion Voice Solutions India Private Limited (FVSIPL)** to monitor the rating(s) vide e-mail communications dated January 20, 2020, December 09, 2019, November 14, 2019, August 19, 2019, August 06, 2019, August 02, 2019 and July 24, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Fusion Voice Solutions India Private Limited's bank facilities will now be denoted as '**CARE B Plus; Stable; ISSUER NOT COOPERATING***'.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on December 12, 2018 the following were the rating strengths and weaknesses (updated for the financials of FY19 obtained from Ministry of Corporate Affairs).

Key Rating Weaknesses

Low operating margins owing to trading nature of business: The profitability is on the lower side, despite increasing revenue due to low value additive trading nature of business. During FY16-FY18, the PBILDT margin of the company ranged from 1.09% to 1.24% which was at 1.77% in FY19.

Leveraged capital structure: The capital structure of the company is leveraged as marked by overall gearing level of 4.55x as on March 31, 2018 which marginally improved to 3.19x as on March 31, 2019.

Weak liquidity position and high reliance of working capital limits: The liquidity position of the company was weak. The cash and bank balance as on March 31, 2018 was Rs. 0.03 crore. Further, although the operating cycle of the company was comfortable at 34 days for FY18, the company's reliance on bank borrowings remained high. The average working capital utilization however stood high at 89% in the last twelve months ended October 2018.

Client concentration with single brand distribution albeit better reach to customers through client's extensive retail outlet network: FVSIPL generates revenue only from distribution of Nokia brand mobile phones and its scale of operations is dependent on success of the Nokia business model and acceptance of mobile phones by the customers. Further, top 3 clients contribute about 75% of the sales in FY18.

Key Rating Strengths

Experienced and resourceful promoters with an extensive experience in distribution business: The company is promoted by Ms. V. Jogulamba, Mr. G. Balasubramanian, Mr. V. Prabhu Prasad and Ms. V. Smita, who have extensive experience in the distribution business. Apart from FVSIPL, the promoters of the company have also ventured into diversified fields of business like automobiles, travel trade, jewelry business, retailing, distribution and beauty & wellness.

Increasing trend in revenue during FY16–FY18 barring FY17 with moderate scale of operation: The total operating income of the company has shown an increasing trend during FY16-18 barring FY17. However, after the dip in sales in FY17, FVSIPL has managed to increase its scale of operations by 2.55x from Rs.24.32 crore in FY17 to Rs.86.45 crore in FY18. The decline in income during FY17 is mainly on account of lack of demand for Nokia mobile phones as it was going through transition phase, wherein it shifted its operating system from Microsoft to Android in their mobile phones. The revenue increased to Rs.102.9 crore in FY19.

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

*Issuer did not cooperate; Based on best available information

Stable industry outlook albeit competitive industry: The Wholesale trading industry acts as an intermediary between manufacturers and secondary processors and consumers. The expected growth in disposable income and the changing lifestyle of Indian population are likely to increase discretionary spending leading to benefit the intermediaries like distributors and retailers.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology-Wholesale Trading](#)

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

About the Company

Fusion Voice Solutions India Private Limited (FVSIPL), based out of Vijayawada, Andhra Pradesh, was initially set up as a proprietary concern and later reconstituted as a private limited company on March 6, 2008. The company has been appointed as distributor for Nokia mobile phones and accessories in the state of Telangana and Andhra Pradesh. The company primarily distributes Nokia mobile phones to the retail mobile chains in the states of Andhra Pradesh and Telangana. The promoters of the company also have business interest in automobile sales & service, travel trade, retailing, distribution and beauty & wellness industry in Vijayawada, Andhra Pradesh.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	88.64	102.90
PBILDT	0.96	1.82
PAT	0.03	0.08
Overall gearing (times)	4.55	3.19
Interest coverage (times)	1.13	1.13

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

Annexure-1: Details of 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-Working Capital Limits	-	-	-	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Working Capital Limits	LT	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (17-Dec-18)	-	-

*Issuer did not cooperate; Based on best available information

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.

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