

Fusion Voice Solutions India Private Limited

December 17, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	18.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Facilities	18.00 (Rupees Eighteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Fusion Voice Solutions India Private Limited (FVSIPL) is constrained by low operating margins, leveraged capital structure, client concentration, single brand concentration and high reliance on working capital borrowings.

The ratings however, derive comfort from the vast experience and resourcefulness of the promoters, increasing trend in revenue during FY16-FY18 (FY refers to period from April 01 to March 31) and stable industry outlook.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Low operating margins owing to trading nature of business: In spite of increase in the total operating income, company's profitability margins were flat and low due to the trading nature of business and no control on product pricing. The company is able to generate PBILDT margin of about 3.20% in FY18 before payments to promoters. However, on account of these payments, the PBILDT margin further declined and was 1.09% for FY18. During FY16-FY18, the PBILDT margin of the company ranged from 1.09% to 1.24% and the PAT margin ranged from 0.04% to 0.05%.

Leveraged capital structure: The capital structure of the company is leveraged on the last three account closing dates marked by overall gearing level of 2.76 as on March 31, 2018, 0.16 as on March 31, 2017 and 1.69 as on March 31, 2016. The company's debt portfolio consists of working capital facilities. The unsecured loans are considered as quasi-equity as the same are subordinated to the bank facilities. Overall gearing of the company deteriorated to 2.76x in FY18 from 0.16x in FY17 mainly on account of additional working capital borrowings (cash credit) to support the increase in scale of operations.

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.

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

Stable industry outlook albeit competitive industry: The wholesale trading sector is an important segment of Indian economy and is an engine of growth and employment. 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. FVSIPL is positioned to take the benefit of the same.

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[CARE's 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 private limited company. The company has been appointed as distributor for Nokia mobile phones and accessories in the state of Telangana and Andhra Pradesh.

FVSIPL is a closely held unlisted company and it is being promoted by Ms. V Jogulamba (alias Mrs. Jogu Prasad), Mr. G. Balasubramanian, Mr. V. Prabhu Prasad and Ms. V. Smita. Ms. V Jogulamba is the managing director of the Company and is involved in the day to day operations and has an experience of about 12 years in the distribution business.

Promoters of the Company also have business interest in automobile sales & service, travel trade, retailing, distribution and beauty & wellness industry under the group name "Fusion" in Vijayawada, Andhra Pradesh. Fusion group has around 8 entities including FVSIPL. Group generates total income excluding FVSIPL of about Rs.19.52 crore, PAT of Rs.0.29 crore and has a networth of Rs.1.21 crore as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	25.98	88.64
PBILDT	0.32	0.96
PAT	0.01	0.03
Overall gearing (times)	0.16	4.57
Interest coverage (times)	1.56	1.13

A-Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Working Capital Limits	-	-	-	18.00	CARE BB-; 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-Working Capital Limits	LT	18.00	CARE BB-; Stable	-	-	-	-

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