

Rashi Peripherals Private Limited

April 5, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	487.70	CARE A-; Stable [Single A Minus; Outlook: Stable]	Assigned
Short-term Bank Facilities	8.00	CARE A2 [A Two]	Assigned
Total Facilities	495.70 (Rupees Four hundred ninety five crore and seventy lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities of Rashi Peripherals Private Limited (RPPL), derive strength from the extensive experience of the promoters and established position of the company in the IT distribution business, long standing relationships with various established brands and channel partners, wide geographic reach and adequate risk management practices employed by the company. CARE notes the expected loss of business due to exit of Apple (a major vendor for the company). The company is expected to recoup the loss over the next couple of years by roping in new vendors and increasing sales from the existing ones. The debt level is expected to reduce in line with the decline in sales. The rating, however, is constrained by low profitability margins due to the inherently low value additive nature of the IT distribution business, working capital intensive nature of operations leading to leveraged capital structure and moderate liquidity.

RPPL's ability to sustain growth in sales post exit of its major vendor (Apple) and improve its profitability margins and capital structure remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters coupled with established position in the IT product distribution industry: RPPL was incorporated by two Chartered Accountants, Mr. Krishna Kumar Choudhary, and Mr. Suresh Pansari in 1989. With an experience of almost 3 decades in the industry, Rashi Peripherals Private Limited (RPPL) enjoys an established position in the Indian IT product distribution industry being one of the largest distributors of IT Products in India. RPPL operates across five business verticals namely: Components, Peripherals, Personal Computing, Mobile/Smartphones and market verticals such as: retail, online and enterprise. The ownership is closely held by the promoters and their family members.

Long standing relationships with a variety of established brands and channel partners: RPPL has successfully maintained strong vendor profile with significant vendor additions in the recent past. Top vendors dealing with RPPL include San Disk, WD, Lenovo, Asus, Intel, HP, Toshiba, etc.

Wider geographical reach: RPPL has a wide geographical reach because of its varied clientele which includes major retailers and ecommerce players. The top 10 customers for RPPL include Flipkart, Amazon, Reliance Retail, Infiniti Retail (Croma) and other retailers who are also listed as sellers on ecommerce platforms. Further, RPPL has presence at over 750 locations in India through over 50 branches and around 9000 channel partners located all over India.

Effective risk management practices: The company has effective risk management practices. Around 40%-50% of purchases of the company are imports hence the company faces risk from foreign exchange fluctuations. RPPL hedges any net exposure and thus mitigates the risk partially. The company receives complete price protection from its principal vendors, due to which any price changes can be passed on to the customers without affecting its operating margins.

Key Rating Weaknesses

Low operating margins: The profitability of the company is low, in line with the low value additive nature of the IT distribution business. The PBILDT margin has remained in the range of 1.5-2% for the period FY16-FY18.

Working capital intensive business leading to moderate liquidity: RPPL is into trading of IT products and thrives on credit sales and large inventories. Hence, the business is working capital intensive. The average utilization of working capital

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

limits has been around 92% for the last 12 months ending February 2019. The average collection period is ~30 days and the inventory period of 26 days is mitigated by the credit period availed of 26 days.

Leveraged capital structure; albeit healthy coverage ratios: RPPL is in the IT hardware trading business, which entails requirement of higher working capital. The working capital requirement is met by the company by availing bank facilities and limits. This has led to a high overall gearing ratio (including acceptances) at 2.02x in FY18 and a very high Total Outside liabilities to Tangible Net Worth (TOL/TNW) ratio at 5.24x in FY18. The interest coverage ratio improved from 2.51x in FY17 to 3.20x in FY18.

Analytical approach: Standalone

Liquidity Analysis

The liquidity position of the company is moderate and is supported by improving cash accruals. RPPL has a cash and bank balance of Rs. 64 lacs as on September 30, 2018. Given the trading nature of the business, the company has high utilization of working capital limits (~92% for the 12 months ending February 2019), leading to limited liquidity support. The current ratio remained at 1.20x during FY18.

Applicable Criteria

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

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

[Financial ratios- Wholesale trading](#)

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

About the Company

Rashi Peripherals Private Limited (RPPL) was incorporated in 1989, by Mr. Krishna Choudhary and Mr. Suresh Pansari. The promoters have an experience of three decades in the Information Technology Distribution business. RPPL is one of the largest IT Distributors in India engaged in the business of Information Technology Product Distribution and after sales services of information technology products. RPPL has partnered with over 9000+ dealers and retailers in over 750 towns and cities. Major vendors of RPPL include many world renowned names in the IT industry, like San Disk, Lenovo, HP, Dell, Asus, etc. The company does not have any exclusivity agreements with any brands.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	3,894.14	5,022.35
PBILDT	60.22	79.52
PAT	21.60	35.99
Overall gearing (times)	1.73	2.02
Overall gearing (including SBL)	2.45	2.71
Interest coverage (times)	2.51	3.20

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

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

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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 Facilities

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	487.70	CARE A-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	8.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the 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-Long Term	LT	487.70	CARE A-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	8.00	CARE A2	-	-	-	-

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