JANUARY 09, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SALORA INTERNATIONAL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	42.0	**CARE BBB- (Triple B Minus)**	Reaffirmed
Short term Bank Facilities	15.0	**CARE A3 (A Three)**	Reaffirmed
Total Facilities	**57.0**		

Rating Rationale

The ratings continue to derive strength from Salora International Limited's (SIL) experienced management, long track record in the consumer electronics and mobile distribution industry and a wide distribution and service network of the company. The ratings continue to factor in the management strategy of consolidating the business profile for improvement in cash accruals. Furthermore, SIL has no long-term debt and a healthy net worth base resulting in a comfortable capital structure and with no major capex planned, the coverage indicators are expected to be moderate in the medium term.

The ratings, however, continue to remain constrained by high working capital intensity of operations with relatively large debtor levels and low operating margins, high level of competition in the distribution business, inherent risk related to trading industry including reliance on third party supplier for products, exposure to forex risks and relatively lower visibility of 'Salora' brand at present in mobile handset segment.

Going forward, the ability of SIL to increase brand visibility, improve profitability margins amidst changing consumer preference and high degree of competition, speeding recovery of debtors overdue for more than six months while efficiently managing working capital requirements shall be the key rating sensitivity.

Background

SIL was promoted in year 1977 by Mr S R Jiwarajka and Mr Obel Reddy. The company was earlier engaged in manufacturing of Television and television components along with trading in mobile phones, laptops, tablets, 3G data cards, multimedia speakers and other IT products of various brands. Presently, with discontinuance of loss making IT distribution business, the company is primarily engaged in trading and distribution of mobile phones under its own brands, 'Salora' and 'Arya' and under brands of Samsung. The company is also engaged in distribution of Lifestyle and Household products under its own brand name Q'bon through its alliance with Japanese brand 'Zojirushi' and German brand 'Nachtmann' since FY13. Alongside, SIL's operations are diversified into wind power generation since year 2006 for which company has a 6.25 MW (5X 1.25 MW) capacity power plant at Dhule, Maharashtra. SIL's manufacturing facility is located in Noida (UP) and is ISO 9001:2008, IEC65 & ISO 14001 certified. During FY14, Infocom division contributed around 87% to total revenue, Consumer Electronics Division contributed around 12% while wind energy segment contributed around 1% to total revenue of FY14.

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

During FY14, SIL reported a total operating income of Rs.396.26 crore and PAT of Rs.1.52 crore as against total operating income of Rs.371.32 and PAT of Rs.2.49 cr in FY13. For H1FY15, the company has reported total operating income of Rs.161.0 cr with PAT of Rs 0.34 crore.

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

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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