Salora International Limited

April 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	55.00 (reduced from 60.00)	**CARE BB; Stable (Double B; Outlook: Stable)**	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short-term Bank Facilities	15.00	**CARE A4 (A Four)**	Revised from CARE A4+ (A Four Plus)
Total Facilities	**70.00 (Rupees Seventy crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Salora International Limited (SIL) factors in subdued operational performance of the company during 9MFY18 (refers to the period April 1 to December 31) marked by declining operating income and cash losses resulting in weakening of its debt coverage indicators. The ratings continues to be constrained by high level of competition in the electronics distribution business. The ratings, however, continue to factor in experienced management and the company's long track record in the consumer electronics industry

Going forward, the ability of SIL to report a sustained turnaround in its operational performance amid competition and effectively manage its working capital requirements shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Subdued operational performance: The total income of the company decreased to Rs. 98.91 crore in 9MFY18 (PY: Rs. 269.59 cr.). on account of decline in the revenue from Consumer Electronic Division by around 64% from Rs. 262.84 cr. in 9MFY17 to Rs. 95.33 cr. in 9MFY18. Consequently, SIL reported losses at operational level of Rs. 2.96 cr. during 9MFY18. (PY: Profit of Rs.7.12 cr.).

Weak financial risk profile: The company reported cash losses during 9MFY18. The overall gearing of the company deteriorated to 0.72x as on September 30, 2017 (0.51x as on March 31, 2017) of increase in total debt pertaining to higher working capital borrowings.

High competition: The company is present in a highly competitive and price sensitive industry. The industry is highly fragmented with numerous players operating with negligible product differentiation. Large presence of players makes the segment highly competitive and sensitive to any price fluctuation, thereby, constraining industry pricing power.

Key Rating Strengths

Experienced promoters: SIL has a long track record of operations of more than three decades. Currently, the company is being run by second and third generation of the Jiwarajka family. Mr GK Jiwarajka (Managing Director) has around 17 years of experience in television manufacturing,

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

assembling, telecom and related fields. SIL became a public listed company in 1993, and is listed on both National Stock Exchange and Bombay Stock Exchange.

Strong distribution and service network and rekindled focus on Salora brand: SIL has a wide network of branch offices across states in India and 200 service tie-up/networks in 127 cities, involving more than 500 dealers and distributors. SIL uses its pan-India sales and service operations for distributing its SALORA brand TVs (CRT, LCD and LED), TV components, lifestyle & household products like home theatre systems, mobile etc. SIL also provides distribution and after sales services for range of products like mobiles, data cards, etc., for other national and international brands. The company plans to launch new products under the Salora brand and increase visibility in the market.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Rating Methodology - Wholesale Trading
Financial ratios – Non-Financial Sector

About the Company

Salora International Limited (SIL) is currently engaged into trading and manufacturing of mobile handsets and televisions. The company operates in two primary segments viz. Consumer Electronics Division (CED; manufacturing/assembly of LED TVs/CRT TVs and its components under own brand names 'Salora' and 'Arya') and wind energy segment (6.25 MW (5X 1.25 MW) capacity at Dhule, Maharashtra commenced in year 2006) each of which contributed around 96.5% and 3.5% respectively of the total revenue of 9MFY18.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	313.04	324.50
PBILDT	7.27	4.44
PAT	(0.87)	(1.39)
Overall gearing (times)	0.05	0.06
Interest coverage (times)	1.16	0.64

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 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	-	-	-	55.00	CARE BB; Stable
Non-fund-based - ST-BG/LC	-	-	-	15.00	CARE A4

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	55.00	CARE BB; Stable	-	1)CARE BB+; Stable (08-Aug-17) 2)CARE BBB-; Negative (19-Apr-17)	1)CARE BBB- (10-May-16)	-
2.	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4	-	1)CARE A4+ (08-Aug-17) 2)CARE A3 (19-Apr-17)	1)CARE A3 (10-May-16)	-

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