

Salora International Limited
May 22, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	55.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable; Issuer not cooperating (Single B Plus; Outlook: Stable; Issuer not cooperating) based on best available information
Short term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	70.00 (Rs. Seventy crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 22, 2019, placed the ratings of Salora International Limited (SIL) under the 'issuer non-cooperating' category as SIL had failed to provide information for monitoring of the rating. SIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated May 11, 2020. 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.

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

The ratings have been revised on account of non-receipt of requisite information and hence CARE is not able to conduct appropriate analysis.

Detailed description of the key rating drivers

At the time of last rating on March 22, 2019 the following were the rating strengths and weaknesses (updated for the information available from company's website):

Key Rating Weaknesses

Subdued operational performance: The total income of the company increased to Rs. 180.60 crore in FY19(refers to the period April 1 to March 31) (PY: Rs. 127.73 cr.), mainly because of increase in the revenue from consumer electronic division from Rs. 124.40 cr. during FY18 to Rs. 171.08 cr in FY19. Consequently, SIL reported PBILDT of Rs 6.12 cr. during FY19 (PY: Loss of Rs.5.33 cr.). The company reported loss of Rs. 10.15 cr during 9MFY20 (refers to the period from April 1 to December 31) (unaudited) as compared to loss of Rs. 1.87 cr during 9MFY19.

Weak financial risk profile: The overall gearing of the company deteriorated to 0.96x as on March 31, 2018 (PY: 0.77x). The company reported operating losses in 9MFY20 thereby reflecting weak financial flexibility and debt coverage.

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 more than 17 years of experience in television manufacturing, assembling, telecom and related fields. SIL became a public listed company in 1993.

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

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

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

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Wholesale Trading](#)

[Rating Methodology-Manufacturing Companies](#)

[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 commenced its operations in 1977 under the guidance of Mr S R Jiwaraajka and Mr Obel Reddy. Presently, the company is managed by Mr. Gopal Jiwaraajka and his sons, Mr. Tarun Jiwaraajka (Marketing and Finance) and Mr. Ayush Jiwaraajka (Technology & Operations). The company operates in two segments viz. Consumer Electronics and wind energy segment.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	127.73	180.60
PBILDT	-5.33	6.12
PAT	-10.05	-4.88
Overall gearing (times)	0.77	0.96
Interest coverage (times)	-0.78	0.82

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 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 B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	55.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Mar-19) 2)CARE BB; Stable (05-Apr-18)	1)CARE BB+; Stable (08-Aug-17) 2)CARE BBB-; Negative (19-Apr-17)
2.	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (22-Mar-19) 2)CARE A4 (05-Apr-18)	1)CARE A4+ (08-Aug-17) 2)CARE A3 (19-Apr-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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