

Shree Sant Kripa Appliances Private Limited

August 05, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	685.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	50.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4+; (A Four Plus)
Total Bank Facilities	735.00 (Rs. Seven Hundred Thirty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

CARE had, vide its press release dated March 06, 2019, placed the rating of Shree Sant Kripa Appliances Private Limited (SSKAPL) under the 'issuer non-cooperating' category as SIPL had failed to provide information for monitoring of the rating. SIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated July 23, 2021, July 22, 2021, July 21, 2021, July 16, 2021, July 08, 2021, July 05, 2021, July 01, 2021, June 30, 2021, June 15, 2021, June 08, 2021, June 04, 2021, June 02, 2021, June 01, 2021, May 27, 2021, May 11, 2021, May 08, 2021, May 06, 2021 and May 01, 2021. 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).

Rating has been revised on account of no information provided by company for reviewing the ratings.

Detailed description of the key rating drivers

At the time of last rating, dated July 01, 2020, the following were the rating strengths & weaknesses.

Key Rating Weaknesses

Competitive and trading nature of business leading to low profitability margins:

The mobile distribution business remains competitive with a low degree of product differentiation throughout the industry with most of the players supplying mobile of limited established brands. SYSKA group's PBDIT margins have declined during the year by 33 bps to 1.70% during FY17 as against 2.03% in FY16 majorly on account of demonetization during the year as well as increasing competition. However, the margins are expected to improve in FY18 with increasing volumes.

Working capital intensive nature of operations:

Working capital intensity is another inherent characteristic of the mobile distribution business. In general, the group maintains around 21-25 days of inventory and receivables are generally realized within the same time period. However, the group's operating cycle of around 44 days is in similar line as of previous year. Due to high working capital intensity, there is high dependency on external borrowing to fund its incremental working capital requirements. The liquidity profile is moderate with current ratio of 1.29x as on March 31, 2017, while the utilization of fund based bank limits was high at around 95.81% for the past 12 months ending November 2017.

Limited bargaining power with principal and high supplier concentration risk: Samsung contributes to around 90-95% in the total revenue of the company. This exposes the company to supplier concentration risk. Also, the group has low bargaining power with the principal.

Technology Obsolescence Risk:

Technological obsolescence is an inherent risk in any technology related business and also applies to the mobile handsets distribution business. However, the company's vendors continue to provide significant support against technological obsolescence. SSKAPL is compensated when a new model is launched and the existing model is to be sold at a discount. Nonetheless, SSKAPL continues to remain exposed to the risk associated with inventory holding and stock liquidation, which could have an adverse impact on its profitability in the event of the company being unable to liquidate the inventory timely.

Key Rating Strengths

Experienced promoters with long track record in Mobile Distribution business:

SYSKA group is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani, who have a rich experience of over two decades in the mobile distribution industry. The group has a long track record of operating in the mobile distribution segment and has established itself as a sole distributor of Samsung in the five states of India. [Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh, and Chhattisgarh].

Diversified product portfolio with distribution of Samsung mobile handsets, tablets, accessories and home appliances, LED Lights and Personal Care products for men and women under SYSKA brand and data printing:

The group has a diversified product portfolio with the majority of the revenue being generated through the distribution of Samsung mobiles. The group is also into distribution of Samsung home appliances and mobile accessories. The group has forayed into assembling and selling LED lights under its brand name 'SYSKA' and has been able to establish its presence in the Indian market (operational as SLLPL). It also provides electronic data delivery, printing of cheques and current/savings account statements to banks/financial institutions.

Improved total operating income during FY17 and H1'FY18:

During FY17, the total operating income (TOI) of the group grew by around 16.5% to Rs.9985.93 crore as against Rs. 8571.64 crore in FY16 largely driven by the growth of the LED lights business under SYSKA Led Lights Pvt Ltd (SLLPL) as well as growth in wholesale mobile distribution business. During H1'FY18, the group has registered a total operating income of Rs.5863.62 crore.

Widespread distribution network with a strong market position viz. sole distributor of Samsung mobiles handsets in five states of India:

SYSKA group enjoys a strong market position in the mobile distribution business as it has the sole National distributorship of mobile handsets and tablets for Samsung India Electronics Private Limited (Samsung) in five states of India namely, Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh and Chhattisgarh.

Established market presence backed by highest market share of Principal (Samsung) in domestic market:

SYSKA group has exclusive distributorship of Samsung Smart phones and tablets in Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh & Chattisgarh. The principal Samsung has been having the largest market share in India over the years. Samsung has a market share of 23.5% in the Indian Smart Phone market for the quarter ended September 30, 2017.

Equity infusion by the promoters during FY17 albeit leveraged capital structure:

The capital structure of the SYSKA group continues to remain leveraged with an overall gearing ratio of 2.42x as on March 31, 2017. During FY17, the promoters of the group have infused fresh equity of Rs. 31.88 crore and unsecured loans from promoters of Rs.11.15 crore have been converted to equity capital.

Proposed diversification into household wires and cables segment:

The group is planning to foray into household wires and cables segment through a Special Purpose Vehicle (SPV). The proposed manufacturing unit is expected to start its manufacturing from April 2018 onwards for household wires/cables.

Analytical approach: The rating is based on combined view of the financials of Shree Sant Kripa Appliances Pvt. Ltd (SSKAPL) with its group companies viz. Bagh Bahar Appliances Pvt Ltd (BBAPL), SSK Retail Pvt Ltd (SRPL), SYSKA Led Lights Pvt Ltd (SLLPL), SSK Infotech Pvt Ltd (SIPL) and SYSKA E Retailers LLP (SEL), collectively called as 'SYSKA Group', as they have a similar line of business and are held by the same promoters. Moreover, there are intercompany transactions indicating operational linkages and also financial support is offered to each other and corporate guarantees are given for facilitating bank debt.

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: Factoring Linkages in Ratings](#)

[Rating Methodology -Wholesale Trading](#)

[Financial Ratios - Non-Financial Sector](#)

About the Company

Shree Sant Kripa Appliances Pvt Ltd (SSKAPL) is the flagship company of the Pune-based SYSKA group. It is promoted by Mr. Govind Uttamchandani and Mr. Rajesh Uttamchandani. Established as a partnership firm in 2002, and reconstituted as a private limited company in 2006, SSKAPL is the exclusive distributor of Samsung mobiles, accessories, and tablets for five states in India: Gujarat, Maharashtra (inclusive of Mumbai), Goa, Madhya Pradesh, and Chhattisgarh. It is also a distributor of Samsung home appliances in the Mumbai region.

Bagh Bahar Appliances Pvt. Ltd (BBAPL) is a closely held private limited company and dealer of the flagship company SSKAPL. BBAPL is also the exclusive distributor for Samsung home appliances in Jalgaon, Aurangabad, Pune, Satara and Sangli in Maharashtra, and in Goa and mobile distribution in Pune.

SSK Infotech Pvt Ltd (SIPL) provides electronic data services and solutions to telecom and MNCs; and printing and mailing activities such as printing of cheques and current/savings account statements, mainly for banks. It has four printing facilities based out of Pune, Mumbai, Gurgaon and Hyderabad.

SSK Retails Pvt Ltd (SRPL) are dealers in a wide range of telecom devices/appliances, accessories and peripherals. SSKRPL operates 28 Samsung Smart Phone Cafes across India (in Maharashtra, MP, Gujarat and Goa). It also deals in Mobile Gadget Secure of SYSKA brand.

SYSKA group forayed into LED Lights and Personal Care products for men and women under SYSKA Brand in FY14 through establishment of **SYSKA Led Lights Pvt Ltd (SLLPL)**. The company is in the business of importing, testing, and sale of LED technology, Solar PV solutions, Hi Tech Batteries System Integration, Solar based UPS & Inverters. It imports LED products from various companies in South Korea, assembles and sells under its brand name SYSKA. SYSKA LED does business in 18 states in India through 489 distributors and exclusive retail showrooms at 80 locations and is setting up operations in International markets as well. The imported components are assembled at Rabale factory in Maharashtra.

Syska E-Retails LLP (SEL) was established in 2015 and is promoted by Ms. Honey Uttamchandani (daughter of Mr. Govind Uttamchandani) and Ms. Gitika Uttamchandani (daughter of Mr. Rajesh Uttamchandani). The company is engaged in the trading of SYSKA brand of products through e-commerce platforms. The firm procures goods from group companies namely SYSKA LED Lights Private Limited (SLLPL) and Shree Sant Kripa Appliances Private Limited (SSKAPL) and sells to online portals.

Brief Financials (Combined) (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8571.64	9985.83
PBILDT	174.20	169.92
PAT	40.36	42.81
Overall gearing (times)	2.23	2.42
Interest coverage (times)	1.61	1.71

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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	-	-	-	685.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	50.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	685.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Jul-20) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (13-May-20)	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (06-Mar-19)
2.	Non-fund-based - ST-BG/LC	ST	50.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (01-Jul-20) 2)CARE A3; ISSUER NOT COOPERATING* (13-May-20)	-	1)CARE A3; ISSUER NOT COOPERATING* (06-Mar-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities -NA

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

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.

Contact us

Media Contact

Mr. Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Manohar Annappanavar

Contact no. : +91-22-6754 3436

Email ID: Manohar.Annappanavar@careratings.com

Business Development Contact

Mr. Ankur Sachdev

cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com

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