Rating Rationale

Bluemax Imppex (India) Pvt Ltd

March 19 2018

Brickwork Ratings reaffirms BWR BB-/A4 for the bank loan facilities aggregating Rs. 10.00 Cr of Bluemax Imppex (India) Pvt Ltd ('BIIPL' or the Company)

Particulars:

Facility #	Previous (Rs. Cr) (09/12/2016)	Present (Rs. Cr)	Tenure	Rating History (09/12/2016)	Rating[1]
Fund Based Cash Credit Proposed Cash Credit	7.00 5.00	7.00 -	Long Term	**BWR BB-** **Outlook: Stable** ***Assigned***	**BWR BB-** *(Pronounced BWR Double B Minus)* **Outlook: Stable** ***Reaffirmed***
Non Fund Based ILC/FLC	3.00	3.00	Short Term	**BWR A4** **Assigned**	**BWR A4** *(Pronounced BWR A four)* **Reaffirmed**
Total	**15.00**	**10.00** (Rupees Ten Crores Only)			

1 Please refer to BWR website www.brickworkratings.com for definition of the ratings
Annexure I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company upto FY17, projections upto FY19, publicly available information and information/clarifications provided by the Company's management.

The ratings continue to draw strength from the promoters' experience in mobile phone and electronic consumer goods trading industry and established track record. The ratings remain constrained by BIPL's low profitability margins attributable to the trading nature of business, presence in a highly fragmented and intensely competitive mobile phone trading industry and working capital intensive nature of operations.

Going forward, the Company's ability to improve its scale of operations profitably, improve its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes BIIPL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Key rating drivers

- **Experienced Management and established track record of operations:** The main promoter has over a decade's experience in the electronic consumer goods trading industry. Initially the company had focussed on a few Chinese brands such as Hi Fi, MAFE and BLU However, the company has started trading in other brands of mobile phones such as VIVO, MICROMAX, INTEX, KARBONN and INFOCUS.

- **Modest scale of operations and low profitability margins :** Scale of operations was modest at Rs. 53.52 Cr in FY16 and Rs. 44.89 Cr in FY17 respectively. Turnover has declined in FY17 mainly due to the impact of demonetisation.Net profit margins have been low at < 1% mainly due to the low value additive trading nature of business.

- **Working capital intensive nature of operations:** The inventory days are moderate at 66 and receivable days are moderate at 49. However, the working capital utilisation remained high at 98% in view of the nature of business.

- **High Level of Competition:** The industry as a whole is highly competitive in nature with the presence of a large number of organized and unorganized players in the consumer electronics trading business.

Analytical approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

About the Company

Bluemax Imppex (India) Pvt Ltd, incorporated in 2010 at Hyderabad, Telangana, is engaged in trading of mobile phones and electronic consumer goods to various retailers in Andhra Pradesh and Telangana. The company trades in mobile brands VIVO, INTEX, MICROMAX, KARBONN, INFOCUS.

Mr. Raju Harwani, Mr. Sreedhar Porandhla and Ms Bhawana Harwani are the directors.

Financial Performance

The Company reported Total Operating Income and PAT of Rs. 46.00 Cr and Rs. 0.24 Cr for FY17 as against Rs. 53.76 Crs and Rs. 0.52 Cr respectively in FY16. Tangible Net-worth as on 31st March 2017 was Rs. 5.62 Cr against Rs. 5.38 Cr in FY16. Total debt stood at Rs. 8.35 Cr as on March 31 2017. Gearing was moderate with D/E ratio of 1.49 times as on March 31 2017 as against 1.57 times as on March 31 2016. On a provisional basis, the company has reported sales turnover of ~ Rs. 40 Cr for 11MFY18.

Key financial indicators are summarized in Annexure II.

Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (March 2018)			Rating History/Actions with BWR		
		Type	Amount (Rs. Crs)	Rating	2017	09/12/2016 *	2015
1.	CC	Long Term	7.00	**BWR BB- (Outlook: Stable)** Reaffirmed	**Nil**	**BWR BB- (Outlook: Stable)** Assigned	**Nil**
2.	ILC	Short Term	3.00	**BWR A4** Reaffirmed	**Nil**	**BWR A4** Assigned	**Nil**
Total			**10.00(INR Ten Crores Only)**				

*Amount Rated Rs. 15.00 Cr

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Trading Entities**
- **Approach to Financial Ratios**

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Bluemax Imppex India Pvt Ltd
(Annexure I – Details of Rated Facilities)

Name of Bank	Facility	Tenure	Amount Rated (₹ Crores)
Canara Bank, Pathergaty Hyderbad	Cash Credit	Long Term	**7.00**
	ILC	Short Term	**3.00**
		Total	**10.00**

Annexure II
Key Financial Indicators

Particulars	Unit	FY 16 (A)	FY 17 (A)
Total Operating Income	**Rs. Cr**	53.76	46.00
OPBDIT	**Rs. Crs**	1.94	1.46
PAT	**Rs. Crs**	0.52	0.24
Tangible Net-worth	**Rs. Crs**	5.38	5.62
Total Debt/ TNW	**Times**	1.57	1.49
Current Ratio	**Times**	1.41	1.51

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.