Rating Rationale

Eham Digital LLP

28 Sep 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Eham Digital LLP.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based Cash Credit	15.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook.Stable
Total	15.00	INR Fifteen Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials result up to FY 17, provisional financials of FY 18, projected financials, publicly available information and information/clarification provided by company's management.

The rating takes comfort from Y-O-Y growth in revenue during FY18 provisional financial and experience of promoters. The rating strengths are partially offset by highly competitive nature of business and geographical concentration risk .

Going forward, companies ability to achieve projected turnover, improvement Profitability and efficiently management of working capital will be key ratings sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Y-O-Y growth in Revenue: Firm has reported total operating income of Rs. 85.95 Crores during FY18 Provisional against Rs. 27.89 Crores in FY17. During FY18, which is first full financial year for the firm, it has started supplying its product all across the Kerala State due to which it has seen growth in revenue during FY18.

Experience of promoters: Firm is promoted below mentioned partners having experience of more than 10 years in the business.Partners are supported by Malabar Group and Nikshan Group.

Mr. Abdul Jaleel Rayaroth is employee at M/s Malabar developers Private Limited
Mr. ,Nishad AK is Group Executive Director and 5% shareholder in Malabar Gold Private Limited rated CRISIL BBB+ in Feb 18, .It is a flagship company of Malabar Group)
Mr. MMV Moidu is the Managing Partner of Nikshan electronics based out in Kannur. Nikshan Electronics, is a pioneered in the retailing of Electronics and Home appliances
Mr .Nikshan Ahamed is son of MMV Moidu.

- **Credit Risks:**

Highly competitive nature of business: Consumer durable products are competitive in nature, as due to technology available in market all the product are available through online websites and purchase platforms. Hence, these business is highly competitive in nature.

Geographical concentration risk; All the showrooms of firm are located in Kerala. Hence, firm has geographical concentration risk. Also, due to recent flood situation in Kerala state, temporary decline in spending power people may slow down the business growth.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Eham Digital LLP** 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Eham Digital LLP is limited liability firm incorporated on 31 May 2016, having comprehensive showroom for Home Appliances, Electronics, Gadgets and other entertainment equipment. Eharn digital has 4 showrooms and 2 godowns in Kerala. Firm is planning to open new showrooms with in and outside Kerala. Eham Digital is promoted by partners. Mr. Nishad AK, Mr. Abdul Jaleel Rayaroth., Mr. MMV Moidu and Mr.Nikshan ahamed is son of MMV Moidu. Partners as Associated with malabar Group. Mr. Nishad A K Group is Executive Director and 5% shareholder in Malabar Gold Private Limited rated CRISIL BBB+ in Feb 18, .It is a flagship company of Malabar Group.

Company Financial Performance

Firm has reported total operating income of ₹ 27.89 Crores and net loss of ₹ 3.06 Crores during FY17. Net worth of the company stood at ₹ 11.93 Crores as on 31 March 2017. During FY18 (Provisional), firm has reported total operating income of Rs. 85.95 Crores.

Key Financial Indicators

Key Parameters	Units	2017
Result Type		**Audited**
Operating Revenue	₹ Cr	27.89
EBITDA	₹ Cr	(4.03)
PAT	₹ Cr	(3.06)
Partner's Capital	₹ Cr	11.93
Total Debt/Partner's Capital	Times	0.01
Current Ratio	Times	1.52

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	**Fund Based Cash Credit**	Long Term	15.00	**BWR BB- (Stable)**	**NA**	**NA**	**NA**
	Total		**15.00**	**₹ Fifteen Crores Only/-**			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities

For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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