

Rating Rationale

Mitashi Edutainment Private Limited

14th Dec 2018

Brickwork Ratings assigns the ratings for the bank loan facilities of Mitashi Edutainment Private Limited (MEPL or the Company).

Particulars

Facility	Tenor	Limits (Rs. Crs)	Rating*
Fund Based			
Cash Credit	Long Term	45.00	BWR BBB- (Pronounced as BWR Triple B Minus) Assigned Outlook: Stable
Proposed Fund Based limit		4.75	
Non Fund Based			
Sales Invoice Discounting	Short Term	15.00	BWR A3 (Pronounced as BWR A Three) Assigned (INR One Hundred Thirty Five Crores Only)
Letter of Credit (Inland/Import)/Buyers Credit		50.00	
Bank Guarantee		0.25	
Proposed Non Fund Based Limit		20.00	
Total		135.00	

Interchangeability of Cash Credit limit with Letter of Credit /Buyers Credit limits up to Rs. 35.00 Crs, *Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has principally relied upon the audited financial results of FY16-FY18, Projected financials of FY19-20, publicly available information and information/clarification provided by the company's management.

Rating Action:

BWR has assigned the long term rating of BWR BBB- with stable outlook and short term rating of BWR A3 to the bank loan facilities of Mitashi Edutainment Private Limited.

Rationale:

The rating for the bank loan facilities of Rs. 135.00 Crs, factors the considerable experience of the management in the consumer electronics and home appliances industry, diversified product profile and

the consistent revenue growth registered during FY16-FY18. The ratings are however constrained by the moderate financial risk profile of the MEPL characterized by moderate profitability & liquidity position, high gearing & inventory days and intense competition from the large organized market players.

Key Rating Drivers:

- Revenue profile and Profitability margins:** There is year on year improvement in the company revenue marked by Revenue from operations of Rs. 248.33 Crs in FY15 to Rs. 320.30 Crs in FY16 to Rs. 363.67 Crs in FY17 to Rs. 384.42 Crs in FY18. The consumer electronics segment contributed ~74% of revenue in FY18 as against 73% in FY17. Rest of the revenue was contributed from Home Appliances division. Going forward, the demand is likely to be driven by increased demand from modern households and public infrastructure space and the government focus on developing smart cities. For the past four years (FY15-FY18) company's operating revenue has grown at a CAGR of ~12%. The Ebitda margin of the company has been in the increasing trend from past 4 years i.e. from 3.51% in FY15 to 4.31% in FY16 to 5.38% in FY17 to 6.71% in FY18.
- Product profile:** Mitashi is focusing on increasing the revenue contribution from the LCD/LED Tv's segment which contributed ~63.7% of sales in FY18 as against 46.4% of sales in FY17 with rest of products (Air Conditioners (14.2%/13.5%), Consumer Electronics (other than TV's) (9.9%/26.4%), Washing Machines (8.3%/739%), Kids Products (3.9%/5.7%)) contributing to 36.3% in FY18 and 53.6% in FY17.
- Credit profile:** Mitashi financial risk profile is driven by high gearing and moderate cushion vis-a-vis debt repayment obligations. The company has unsecured loans from related parties to the tune of Rs. 15 Crs as of March 2018 which will be maintained in the business till the tenor of the bank facilities and the same has been considered by BWR as quasi-equity. As on March 31, 2018, AIL had adjusted debt of Rs. 102.86 crores, resulting in a gearing of 2.24 times.
- Intense competition:** Intense competition from the large organized market players could impact the company's revenue and profitability.
- Working capital cycle:** The working capital intensity of the company remains intensive on account of optimal utilization of sanctioned working capital facilities and high inventory days. The Days Inventory stood at 118 days in FY18 as against 102 days in FY17.
- Liquidity position:** The Company had cash & cash equivalent of Rs. 6.17 Crs which includes cash on hand and balances with bank of Rs. 1.02 Crs and margin money of Rs. 5.15 Crs. The adjusted current ratio of the company stood at 1.18 times in FY18.

MEPL's ability to its meet projected turnover and profitability and managing working capital efficiently will be the key rating sensitivities.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Mitashi Edutainment Private Limited (MEPL) incorporated in 1991 was promoted by Mr. Rakesh Dugar and Mr. Hasmukh Dugar. The company is having its corporate office at A/1901, Kailash Business Park, Building, Jethabhai Lane, no. 2, SVS Rd, Vikhroli West, Mumbai, Maharashtra 400079. The company is engaged into distribution of various consumer goods such as consumer electronics (LED Tv's, Home Theatres, Gadgets) and home appliances (Air Conditioners, Washing Machines, Refrigerators and Microwaves) under its own Brand "Mitashi".

Company's Financial Performance:

Key Financial Parameters	FY17 (A)	FY18 (A)
Total Operating Income (Rs. Crs)	363.67	384.42
Ebitda (Rs. Crs)	19.57	25.80
PAT (Rs. Crs)	4.61	6.08
Interest coverage (times)	1.47	1.56
TOL/TNW (times)	6.83	5.52

Rating History:

SI. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	45.00	BWR BBB-/Stable	NA	NA	NA
2	Proposed Fund Based Limit	Long Term	4.75	BWR BBB-/Stable			
3	Sales Invoice Discounting	Short Term	15.00	BWR A3			

4	Letter of Credit (Inland/Import)/ Buyers Credit	Short Term	50.00	BWR A3			
5	Bank Guarantee	Short Term	0.25	BWR A3			
6	Proposed Non Fund Based Limit	Short Term	20.00	BWR A3			
Total			135.00	(INR One Hundred Thirty Five Crores Only)			

Interchangeability of Cash Credit limit with Letter of Credit /Buyers Credit limits up to Rs. 35.00 Crs

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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

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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.

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