



Rating Rationale

Subhash Distributors Ltd.

15th December 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 11.25 Crs of Subhash Distributors Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based					
Cash Credit	6.00	6.00	Long term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable (Reaffirmed)
Non Fund Based					
Bank Guarantee	5.25	5.25	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) (Reaffirmed)
Total	11.25	Rs. 11.25 Crores (Rupees Eleven Crores and Twenty Five Lakhs Only)			

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

Rating: Reaffirmed

Brickwork Ratings reaffirmed the long term rating of 'BWR BB+' and short term rating of 'BWR A4+' to the bank loan facilities aggregating Rs. 11.25 Crores of Subhash Distributors Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, promoters' experience of over two decades in distribution of Consumer Electronics and Home Appliances, long existence of the company for 22 years with satisfactory business history and well managed capital structure. However the rating is constrained by decline in sales in FY17, thin profit margins, working capital intensive nature of



business operations and intense competition in the industry. Going forward, ability of the company to scale up its operations, to improve its profit margins and to manage its gearing in an intensely competitive industry will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Subhash Distributors Limited 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.

Analytical Approach

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

Key Rating Drivers

Credit Strengths

- **Experienced Promoters:** Promoters are experienced and having more than two decades of experience in distribution of Consumer Electronics and Home Appliances .
- **Long Existence:** The company is in existence for 22 years with sole distribution of reputed brands namely Sony, Nikon, Panasonic, Micromax, Videocon, Voltas, Faber, Greenchef, etc.
- **Managed Capital Structure:** The company has managed its capital structure with debt to tangible net worth of 1.20 times in FY17.

Credit Weaknesses

- **Decline in Total Operating Income:** The total operating income of the company has declined from Rs. 247.73 Crores in FY16 to Rs. 164.06 Crores in FY17.
- **High Degree of Competition:** High degree of competition in the industry coupled with threat from online mode of business.

About the Company

Subhash Distributors Limited was incorporated in 1995 with registered office in Bangalore, Karnataka. Subhash Distributors Limited is the authorized distributors for reputed brands namely Sony, Nikon, Panasonic, Micromax, Videocon, Voltas, Faber, Greenchef etc. The company has its distribution centres and godowns at Mysore, Hubli and Hosur. The major customers of the company are Girias, Pai electronics, Adishwar Electronics, e-zone, etc.

Company's Financial Performance

The company has registered a total operating income of ₹ 164.06 Cr in FY17 as against Rs. 247.73 Cr in FY16. The company has reported net profit of ₹ 1.69 Cr in FY17 as against net profit of Rs. 1.26 Cr in FY16. Tangible net worth of the company stood at ₹ 15.23 Cr as on March 31, 2017.

Parameters	31-Mar-2015	31-Mar-2016	31-Mar-2017
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	146.00	247.73	164.06
EBIDTA (Rs. Crores)	3.28	5.84	6.30
PAT (Rs. Crores)	1.29	1.26	1.69
Tangible Network (TNW) (Rs. Crores)	12.28	13.54	15.23
Total Debt : TNW (Times)	0.51	0.85	1.20
Current Ratio (Times)	1.40	1.23	1.81

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amt (Rs. Crs)	Rating	June 20, 2016	April 16, 2015	May 04, 2014
1	Cash Credit	Long Term	6.00	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
2	Bank Guarantee	Short Term	5.25	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus)



Total	Rs. 11.25 Crores (Rupees Eleven Crores and Twenty Five Lakhs Only)
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Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media

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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, 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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any



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