

October 29, 2024

Poorvika Mobiles Private Limited: Ratings reaffirmed and assigned for enhanced limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based Overdraft	49.90	35.00	[ICRA]BBB+ (Stable); reaffirmed
Long term – Fund based Term Loans	44.00	101.68	[ICRA]BBB+ (Stable); reaffirmed & assigned for enhanced amount
Long term – Unallocated facilities	6.10	0.00	-
Short term – Fund Based Bill discounting (Channel financing)	0.00	30.00	[ICRA]A2; assigned
Total	100.00	166.68	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation on the bank lines of Poorvika Mobiles Private Limited (Poorvika) considers an expected improvement in its operational and financial performance on the back of its established presence in the South Indian market, brand value and extensive experience of its promoters in the mobile retail industry. Also, the entity forayed into the home appliance segment in FY2024, with 25 exclusive home appliance outlets along with 440+ mobile distribution outlets. Poorvika's operating income grew by ~13% on a year-on-year (Yoy) basis to Rs. 3,597.3 crore in FY2024 (provisional), supported by an increase in sales volume and a modest increase in average selling price (ASP) of products sold. The ratings continue to derive comfort from the financial risk profile depicted by a healthy capital structure, and coverage metrics are expected to witness a similar trend going forward.

The ratings, however, remain constrained by the company's low operating margin due to the retail nature of operations and intense competition from online and offline vendors, limiting its pricing flexibility and stagnating its same-store revenue growth in the recent past. ICRA also notes Poorvika's modest current ratio with high reliance on creditors. The debt service coverage ratio moderated to 2.2 times in FY2024 due to debt-funded store expansions over the past two fiscals and an increase in borrowings for investments in Kwaliti Precision Products (P) Ltd for Rs. 60 crore in FY2023. Besides, the ratings continue to remain constrained by its high geographical concentration, as the company derived ~66% of its revenue from Tamil Nadu in FY2024, as well as high product concentration with a focus mainly on mobile phones and accessories. Nonetheless, the company is diversifying across different states and consumer durables as well which provides some comfort.

ICRA has noted recent media articles relating to the income tax raid on the promoter's residence of Poorvika on October 17, 2024, and October 18, 2024. ICRA understands that the raid relates to promoters in their individual capacity and there is no impact on the company's business operations or its financial flexibility due to the same. ICRA will continue to closely monitor any further developments relating to the event and take appropriate rating action, if necessary.

The Stable outlook on the long-term rating reflects ICRA's expectation that Poorvika's improvement in revenues and operating metrics is likely to sustain. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence as one of the largest multi-brand retail mobile phone vendors in India – Poorvika commenced operations in 2004 as a mobile phone retailer and has established itself as a dominant player in the South Indian multi-brand mobile retail market, with 25 exclusive home appliance outlets along with 440+ mobile distribution outlets spread across Karnataka, Tamil Nadu, Pondicherry, and Maharashtra. Operating in the market for more than a decade, the company has a strong brand presence in Tamil Nadu. Strong relationships with major mobile manufacturers lend stability to its volumes in the long term.

Financial profile depicted by healthy capital structure and debt coverage metrics – Poorvika's financial profile is characterised by a healthy capital structure. Its total debt/TNW improved marginally to 0.5 times as on March 31, 2024, from 0.6 times as on March 31, 2023, with an increase in retained earnings. With the increase in term loan borrowings for new store expansions, interest costs have increased, moderating its coverage indicators. The interest coverage ratio has moderated to 5.6 times in FY2024 from 7.0 times in FY2023. Nevertheless, the coverage indicators continued to be healthy. Further, the company has been able to rotate its inventory optimally, as characterised by inventory days of ~34 days as on March 31, 2024, resulting in low working capital intensity. Going forward, the company's debt levels are likely to increase to fund new store expansions. However, its coverage indicators are expected to remain healthy due to its strong financial profile.

Credit challenges

Moderate operating profitability – Poorvika's operating margins are constrained by the trading nature of operations with minimal value addition. Intense competition in the market from online and offline vendors has resulted in limited pricing flexibility. Further, the higher selling expenses to mitigate increased competition risks also led to lower operating profitability. Nonetheless, ICRA notes that the operating margin marginally improved to 2.2% in FY2024 against 2.0% in FY2022 owing to better economies of scale. Going forward, operating margins are expected to improve marginally with the opening of new home appliance stores and the launch of some stores on owned premises.

Intense competition across product categories limits pricing flexibility and margins - The domestic mobile retail industry is characterised by stiff competition due to its fragmented nature with a considerable volume share enjoyed by many small unorganised players, continuous expansion by a few large regional players and the presence of e-commerce players. However, owing to a strong brand presence and focused marketing initiatives, Poorvika has been able to maintain a reasonable market position, leading to stable volumes and earnings over the years, despite limited pricing flexibility.

High geographical and product concentration risks – Poorvika has a high focus on mobile phones and accessories, resulting in a high product concentration risk and any weakening of demand for mobile phones will impact the company's operational profile. However, no major decline in demand for mobile phones is anticipated in the medium term. The company's operating revenues are mainly concentrated in Tamil Nadu, accounting for ~66% (improved from 71% in FY2021) of sales, indicating high geographical concentration risk. Nevertheless, the company's growing presence in Puducherry and Maharashtra, along with the launch of various other products and diversification into other consumer durables, mitigates the concentration risk to an extent.

Liquidity position: Adequate

The company's liquidity position is expected to be adequate, supported by the expected cash accrual from the business in excess of Rs. 50 crore and healthy cash and cash equivalents of ~Rs. 22.5 crore as on March 31, 2024. The company is likely to incur capex of ~Rs. 40 crore in FY2025, funded through term loans and internal accruals in the ratio of 3:1. Further, it has term loan repayment obligations of ~Rs. 31 crore in FY2025 and ~Rs. 39 crore in FY2026. Given the healthy demand for products sold by Poorvika in the market, the company's cash accruals from operations are expected to be adequate to meet its expansion and working capital requirements.

Rating sensitivities

Positive factors – Poorvika’s ratings may be upgraded if the company registers a sustained healthy growth in revenues and earnings, strengthening its liquidity position.

Negative factors – The ratings may be downgraded in case of sustained pressure on the company’s operating performance. Any large debt-funded capex or significant outflow of funds in the form of financial support to Group entities, adversely impacting the debt protection metrics and liquidity position of the entity, may also result in a rating downgrade. Specific credit metric that could lead to a rating downgrade includes TOL/TNW of more than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

Poorvika Mobiles Private Limited was incorporated in 2004 by its Directors, Mr. Uvaraj Natarajan and Mrs. Kanni Uvaraj, with its headquarters in Chennai. It is involved in multi-brand retail trading of mobile phones and connections, accessories, recharges and internet data cards. The company deals with all leading mobile handset brands such as Oppo, Vivo, Apple, Samsung, Xiaomi, Nokia and others, directly through its own retail network. Till date, Poorvika has set up over 460 mobile outlets (including 25 home appliances outlets) across Tamil Nadu, Karnataka, Maharashtra and Puducherry and employs over 3,800 well-trained professionals.

Key financial indicators (audited)

Poorvika Mobile Private Limited	FY2023	FY2024*
Operating income	3,185.8	3,597.3
PAT	27.6	29.5
OPBDIT/OI	2.2%	2.2%
PAT/OI	0.9%	0.8%
Total outside liabilities/Tangible net worth (times)	2.1	2.0
Total debt/OPBDIT (times)	2.1	1.7
Interest coverage (times)	7.0	5.6

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	October 29, 2024	Date	Rating	Date	Rating	Date	Rating
Fund Based – Overdraft Limit	Long-term	35.00	[ICRA]BBB+ (Stable)	July 31, 2023	[ICRA]BBB+ (Stable)	April 29, 2022	[ICRA]BBB+ (Stable)	-	-
Fund Based - Term loans	Long-term	101.68	[ICRA]BBB+ (Stable)	July 31, 2023	[ICRA]BBB+ (Stable)	April 29, 2022	[ICRA]BBB+ (Stable)	-	-
Fund Based - Bill discounting (Channel financing)	Short-term	30.00	[ICRA]A2	-	-	-	-	-	-
Unallocated Limit	Long-term	0.00	-	July 31, 2023	[ICRA]BBB+ (Stable)	April 29, 2022	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Overdraft	Simple
Term Loans	Simple
Bill discounting (Channel financing)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based – Overdraft Limit	NA	NA	NA	35.00	[ICRA]BBB+ (Stable)
NA	Fund Based -Term loans	FY2019	NA	FY2028	101.68	[ICRA]BBB+ (Stable)
NA	Fund Based -Bill discounting (Channel financing)	NA	NA	NA	30.00	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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