

Cascade Systems And Communication Private Limited

Instrument	Amount	Rating Action
	Rs. Crore [^]	August 2016
Long Term – Fund Based (CC)	5.00	[ICRA]B+ / revised from [ICRA]BB- (stable)
Short Term – Non Fund Based (BG)	1.00	[ICRA]A4 / reaffirmed

ICRA has revised the long term rating assigned to Rs. 5.00 crore long term fund based limits of Cascade Systems and Communication Private Limited (CSCPL / the company) from [ICRA]BB- (pronounced ICRA double B minus) to **[ICRA]B+** (pronounced ICRA B plus). The short term rating for the non fund based limits has been reaffirmed at **[ICRA]A4** (pronounced ICRA A four).

The revision of rating takes into account the significant decline in the revenue during FY2016 and the weakened financial profile marked by thin profitability, moderate capital structure and weak coverage indicators. Stretched receivables, coupled with earlier payment made to its suppliers, have resulted in significant increase in the working capital intensity during FY2016, weakening the liquidity profile of the company. Going forward, the liquidity position is expected to remain stretched due to the weak accruals and significant debt repayment obligations in the near term. The ratings also factor in the small scale of operations of the company which limits its bargaining power with the suppliers who are national level distributors and the competition from other dealers in the same brand and product space which limits its pricing flexibility and margins.

However, the ratings positively factor in the experience of the promoters in the IT hardware and computer peripherals distribution business and the well-established relationship of the company with its customers and suppliers. ICRA also takes into account the company's diversified product portfolio ranging from printer consumables, optical media products, and Point of Sale (POS) devices to batteries, invertors and surveillance systems which provides the company opportunity to cross-sell its products. The ratings also favourably take into account the company's presence in all the leading brands for printer consumables such as Hewlett Packard (HP), Canon, Epson and Samsung which mitigates competition risk to an extent. Going forward, the ability of the company to secure funding to meet its working capital requirements and improve its profitability would be the key rating sensitivities.

Company Profile

Incorporated in 2001, Cascade Systems And Communication Private Limited is engaged in sales, distribution and after sales support for IT hardware and computer peripherals. The company primarily deals with printer consumables like printer cartridges, ink and toner of leading brands like HP, Canon, Epson, Samsung, etc, point of sale devices including billing terminals, label printers, keyboards and cash register of TVS Electronics, optical media and data storage devices like CDs, DVDs, Blu-Ray Discs and pen-drives from Moser Baer, LG surveillance systems, Emerson UPS and Amaron batteries. The company has tied up with large national distributors like Ingram, Redington, Compuage and Savex, among others for product sourcing. The company also has an IT division, which undertakes driving-test automation project for the RTOs on a turnkey basis. Although majority of its customers are wholesale and semi-wholesale dealers, the company also deals directly with end customers, which includes IT companies and government departments. The company is equipped with a service team to cater to the after sales and maintenance requirements of its end customers. The company has a branch in Hyderabad, however, receives majority of its revenues (~84%) from Karnataka.

Recent Results

The company reported a net profit of Rs. 0.3 crore on an operating income of Rs. 55.5 crore during FY2015, as against a net profit of Rs. 0.3 crore on an operating income of Rs. 51.2 crore during FY2014. As per the FY2016 provisional financials, the company reported a net profit of Rs. 0.2 crore on an operating income of Rs. 42.8 crore.

August 2016

¹For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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