

**Rating Rationale**  
**Triveni Byapar Company Private Limited**

**Rating**

Facility/ Instrument	Amount (Rs. In Million)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	1,200.00	CARE-NP A4 [A Four]	Assigned
<b>Total facilities</b>	<b>1,200.00</b>		

*Details of Facilities in Annexure 1*

CARE Ratings Nepal Limited (CRNL) has assigned rating of ‘CARE-NP A4’ to the short term bank facilities of Triveni Byapar Company Private Limited (TBC).

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of TBC are constrained by tight liquidity position of the company leading to cash-flow mismatches with some instances of delays in repayment of the bank obligations in recent past coupled with weak debt coverage indicators. The ratings also factor in working capital intensive nature of operations marked by long standing debtors, exposure to volatile interest rates, foreign exchange fluctuation risk and presence in a fragmented industry with competition from both domestic and international players. The ratings however, derives strength from established and long track record of operations along with strong promoters and experienced management team in the related field, growth in margins and profitability in FY19 (audited, refers to 12 months period ended mid-July 2019) however, with subdued sales in comparison to FY18 (refers to 12 months period ended mid-July 2018). The rating also factors in liquidity profile of the company supported by liquid investments in listed shares, diversified distribution network with established brands and increasing demand of consumer electronic products in Nepal.

Ability to profitably scale up the operations of the company and effective management of working capital with improvement in debtors realisation and liquidity position of the company will remain the key rating sensitivities.

**Detailed Description of the Key Rating Drivers**

**Key Rating Weaknesses**

*Tight liquidity position leading to cash flow mismatches and some instances of delays in repayment of the bank obligations in recent past*

The company is facing tight liquidity situation due to high working capital intensity and weak cash accruals. The liquidity has further stretched during the year amid weak profitability/cash flows and increase in debtor levels with high ageing. There have been instances of delay in repayment of working capital loan obligations in the recent past which has been cleared within a period of 30 days. The near-term liquidity profile is also expected to remain stretched as realization from debtors/dealers continue to take time while the company have to make payments for the regular purchases to the suppliers. The company is focusing on improvement in the debtor

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratingsnepal.com](http://www.careratingsnepal.com)

position of the company and realization from the old debtors is expected to improve the liquidity of the company. The realization of debtors and improvement in the liquidity position of the company are the key rating sensitivity.

***Weak debt coverage indicators***

Total gearing ratio of the company was moderate at 2.23x at the end of FY19 with low interest coverage ratio of 1.47x and high total debt/ GCA at 35.72x in FY19.

***Working capital intensive nature of operations marked by long standing debtors***

The operations of the company are working capital intensive in nature. The company imports its products from foreign countries mainly China, Korea, Thailand, India and sells it in the domestic market. The average collection period of the company remains at a level of 3 months, as the company supplies its products to dealers and realization of the sales is done in due course of time. Debtors more than 120 days outstanding stood at ~ 44% of the total debtor outstanding of the company at the end of FY19. The average inventory period of the company remains around 3 months as it has to maintain sufficient inventory in order to cater to the needs of the customers. Average creditor days of the company is generally low at 20-30 days as most of the goods are imported through Letter of Credit at sight. This leads to an overall operating cycle of the company of around 5-6 months leading to high reliance of the company on bank finance for the working capital needs. The average working capital utilization against the drawing power of the company for last 12 months ending mid-December, 2019 was 86.10%.

***Exposure to volatile interest rates***

Nepalese banking sector fix interest rates on lending, based on quarterly published base rate by the banks. Due to tight liquidity in the market, the interest rate has been high and volatile during the last 12 months. Therefore, funding from Banks and Financial Institutions are exposed to volatile interest rate.

***Foreign exchange fluctuation risk***

Around 52% of the purchases by the company were invoiced in foreign convertible currency during FY19, other than Indian Rupees, for which the company is exposed to the foreign exchange fluctuation risk. TBC does not undertake any hedging mechanism while importing trading items at foreign convertible currency other than Indian Rupees. TBC achieved Rs. 1.50 Mn of foreign exchange fluctuation gain during FY19 which was Rs. 4.40 Mn in FY18.

***Fragmented industry with competition from both domestic and international players***

The company is engaged in import/ trading of consumer durable goods from various countries and selling it in the domestic market. TBC operates in the fragmented industry, as the company has to compete with local players as well as other international players who are into the business of importing similar products from foreign countries and selling domestically.

**Key Rating Strengths*****Established and long track record of operations along with strong promoters and experienced management team in the related field***

TBC derives strength from its strong promoter group belonging to the Sanghai business family. The business family is one of the largest business groups of Nepal involved in diversified business of banking, insurance, manufacturing, trading and other businesses. The promoters of company have an experience of over two decades in importing and trading Fast Moving Consumer Goods. Company is managed under the overall guidance of its four member Board of Directors (BoD) which includes eminent businessmen/industrialists with wide experience in the related sectors. Mr. Shailesh Sanghai, Managing Director of TBC has experience of around 10 years. Mr. Subhash Chandra Sanghai, Director, is also an executive committee member of Nepal Chamber of Commerce and Chairman of Nepal Tea Development. Mr. Govinda Lal Sanghai, Director, has more than 3.5 decades of experience in various companies of the Group and is also Chairman of Nepal Life Insurance Company Limited. The BoDs are supported by a team of qualified and experienced professionals to run the day-to-day operations of TBC.

***Growth in margins and profitability in FY19, although subdued sales***

Total income of the company which comprises of trading sales, manufacturing sales from assembling of Samsung LED TV and other operational income decreased by 4.96% in FY19 to Rs. 2,010 Mn. This dip in sales was on account of revamping of the business of the company which led to the discontinuation of the low margin products and also shifting of products other than home appliances into other business entities of the group. Despite decrease in revenue, PBILDT and PBILDT margin of the company increased to Rs. 127 Mn and 6.30% respectively during FY19. The company earned PAT of Rs. 14.69 Mn with PAT margin of 0.73% in FY19 as against loss during FY18. GCA of the company increased to Rs. 22.65 Mn in FY19 majorly on account of improvement in PAT with depreciation being in same level in both FY18 and FY19.

***Liquidity profile supported by liquid investments in listed shares***

TBC had an investment portfolio of ~Rs.26 Mn at the end of FY19 with most investments in shares of different listed banks and financial institutions. The investments are readily marketable in nature and lends sufficient liquidity cushion to the company. As on January 17, 2020, TBC had liquid investment of Rs. 100 Mn based on the market prices of securities traded on Nepal Stock Exchange Limited (NEPSE).

***Diversified distribution network with established brands***

TBC is involved in import and trading of consumer household products of major companies like Samsung, Panasonic, Symphony and Sansui which have strong brand recognition over different countries. TBC is presently involved in supplying more than 40 varieties of home appliances products manufactured by around 10 consumer appliances manufacturing companies around the globe. For products of Sansui the company is sole distributor in

Nepal although the agreements have non-exclusivity clause. For products of Samsung and Panasonic there is presence of one more dealer in Nepal, however competition in pricing between the dealers is mitigated as the pricing is controlled by the suppliers. TBC has national presence reaching all parts of Nepal and covering all major towns and cities. Currently, company has 394 dealers which are present in all seven provinces of Nepal with highest number of dealers present in Kathmandu which is the main market of the company.

***Increasing demand of consumer electronic products in Nepal***

Total value of imported consumer household electronics (including taxes) grew at a 3 year CAGR ending FY19 at 30% from Rs. 6,287 Mn in FY16 to Rs. 13,915 Mn in FY19. This growth in demand for consumer electronic products has surged after regular electricity supply became available in the country along with rise in household income (which mainly comes from increasing remittance inflows). Further, sales of summer goods like air conditioners, electric fans and refrigerators has also spiked in the country due to soaring temperature levels. However, the growth is limited on account of presence of other distributors in the country of major brands like Samsung and Panasonic coupled with availability of choices to customers in variety of other imported brands. Also presence of domestic manufacturing industry in few of the consumer goods segment limits growth to some extent.

***About the Company***

Triveni Byapar Company Private Limited (TBC) is promoted by different individuals belonging to the Sanghai business family and was incorporated on June 12, 2008 (date of conversion of company from Public Limited to Private Limited). TBC is involved in trading of consumer goods of various international brands like Samsung, Sansui, Panasonic and Symphony and also in assembling of Samsung LED TV. Company also has an in-house brand “Yasuda” under which various home appliances are manufactured through OEM’s from China from the last 10 years.

***Brief Financial Performance during the last 3 years is as follows:***

(Rs. In Million)

<b>For the year ended Mid July</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>	<b>FY19 (A)*</b>
Income from Operations	1,756	2,115	2,010
PBILDT	85	74	127
PAT	44	(6)	15
Overall Gearing (times)	1.94	1.95	2.23
Interest coverage (times)	1.76	0.97	1.47

\*Audited

<b>Analyst Contact</b> Ms. Shalini Sanghai <a href="mailto:shalini.sanghai@careratingsnepal.com">shalini.sanghai@careratingsnepal.com</a> Tel No.: +977-01-4445473	<b>Relationship Contact</b> Mr. Sajjan Goyal <a href="mailto:sajjan.goyal@careratingsnepal.com">sajjan.goyal@careratingsnepal.com</a> Tel No.: 9818832909/+977-01-4445472/3/4
---	--

**Disclaimer**

CRNL’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRNL has based its ratings on information obtained from sources believed by it to be accurate and reliable. CRNL does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRNL have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

**Annexure 1: Details of the Facilities rated**

<b>Nature of the Facility</b>	<b>Type of the Facility</b>	<b>Amount (Rs. Million)</b>	<b>Rating</b>
Short Term Bank Facilities	Fund based limits	590.00	<b>CARE-NP A4</b>
Short Term Bank Facilities	Non-fund based limits	610.00	<b>CARE-NP A4</b>
<b>Total</b>		<b>1,200.00</b>	