

Rating Rationale
Triveni Byapar Company Private Limited

Rating

Facility/ Instrument	Amount (Rs. In Million)	Rating ¹	Rating Action
Short Term Bank Facilities	1,180.00	CARE-NP A4 [A Four]	Reaffirmed
Total facilities	1,180.00 (Reduced from Rs. 1,200)		

Details of Facilities in Annexure 1

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

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of TBC factors in decline in revenue and net loss in FY20 (audited, refers to 12 months period ended mid-July 2020) with weak debt coverage indicators, however with improvement in financial risk profile during H1FY21 (un-audited, refers to 6 months period ended mid-July 2021). The ratings continues to factor in working capital intensive nature of operations, 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, 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

Financial risk profile marked by decline in revenue and net loss in FY20, however with improvement in H1FY21

Total income of the company declined by 25% in FY20 over FY19, which was majorly impacted due to lockdown imposed in the country from mid-March 2020 to mid-June 2020 due to Covid-19 pandemic. Trading sales of the company declined by 25% and manufacturing sales declined by 22% in FY20. With decline in revenue, PBILDT of the company has been severely impacted. Further, due to lower PBILDT earned in FY20 which was not sufficient to cover the depreciation and interest expenses, TBC generated cash losses in FY20.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com

During 6 months period ended from Mid-July to Mid-January 2021, the company has achieved net sales of Rs. 1,170 Mn with improvement in substantial PBILDT and PBILDT margins.

Weak debt coverage indicators

Total gearing ratio of the company was moderate, however deteriorated to 2.62x at the end of FY20 from 2.23x at the end of FY19. Interest coverage ratio of the company was low at 0.29x in FY20 which declined from 1.47x in FY19 due to lower PBILDT generated. However, the same has improved to 1.27x in H1FY21. Total debt/ GCA for FY20 was negative 15x due to negative gross cash accruals.

Working capital intensive nature of operations

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. Debtor collection period of the company increased from 100 days in FY19 to 120 days in FY20, however, in absolute amount the debtors have decreased. The average inventory period of the company increased to 167 days in FY20 from 104 days in FY19 with increase in inventory level due to sales being impacted on account of Covid-19. Accordingly, overall operating cycle of the company increased to 265 days in FY20 from 182 days in FY19 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-January, 2021 was 78.35%.

Foreign exchange fluctuation risk

Around 52% of the purchases by the company were invoiced in foreign convertible currency during FY20, 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 booked Rs. 0.96 Mn of foreign exchange fluctuation gain during FY20 which was gain of Rs. 1.50 Mn in FY19.

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's board consist of

single member, Mr. Shailesh Sanghai, who is the Managing Director of TBC and has an experience of around 10 years. He is supported by a team of qualified and experienced professionals to run the day-to-day operations of TBC.

Liquidity profile supported by liquid investments in listed shares

TBC had an investment portfolio of ~Rs.26 Mn at the end of FY20 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 February 08, 2021, TBC had liquid investment of Rs. 190 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 more than 350 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 4 year CAGR ending FY20 at 23% from Rs. 6,287 Mn in FY16 to Rs. 14,362 Mn in FY20. 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. Also with the ongoing pandemic situation demand of household durables for daily chores has increased. 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)

For the year ended Mid July	FY18	FY19	FY20
	(Audited)	(Audited)	(Audited)
Income from Operations	2,115	2,010	1,506
PBILDT Margin (%)	3.51	6.30	1.78
Overall Gearing (times)	1.95	2.23	2.62
Interest Coverage (times)	0.97	1.47	0.29
Current Ratio (times)	1.31	1.27	1.23
Total Debt/Gross Cash Accruals (times)	136.93	35.72	-ve

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Annexure 1: Details of the Facilities rated

Nature of the Facility	Type of the Facility	Amount (Rs. Million)	Rating
Short Term Bank Facilities	Fund based limits	570.00	CARE-NP A4
Short Term Bank Facilities	Non-fund based limits	610.00	CARE-NP A4
Total		1,180.00	