

September 09, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA B/Stable (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA Single B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of National Marketing (NAM). The outlook is '**Stable**'. The ratings are constrained by the firm's geographically concentrated operations and high leverage (debt-to-capital ratio) in an intensely competitive segment of the mobile handsets industry. The ratings are also constrained by the decline in the firm's net profit margin. The ratings factor in risks related to the firm's high dependence on a single principal viz. Micromax Informatics Limited (Micromax). However, the ratings are supported by the firm's experienced management. The ratings are also supported by the strong revenue growth registered by the firm in FY2013-14 (refers to financial year, April 01 to March 31).

NAM, incorporated in 2008, is a Chandigarh-based distributor of mobiles handsets manufactured by Micromax. NAM is engaged in distribution of various electrical appliances, including toasters and irons. The firm's operations are concentrated within Chandigarh and Panchkula. NAM's leverage (debt-to-capital ratio) is high at 6.15 times (provisional) as on March 31, 2014. The firm faces intense competition from distributors of mobile handsets manufactured by Samsung, Motorola, Nokia, and other competitors of Micromax. NAM's net profit margin declined from 1.45 per cent in FY2012-13 to 0.83 per cent (provisional) in FY2013-14.

NAM is exposed to principal concentration risk arising from high dependence on Micromax. The firm's business risk profile is thus highly correlated with the overall performance of Micromax's products in the market.

NAM benefits from its experienced management. Mr. Gautam Aggarwal, proprietor of NAM, has around two decades of experience in distribution of electrical appliances. NAM's revenues increased from Rs.9.09 crore in FY2012-13 to Rs.46.46 crore (provisional) in FY2013-14, a strong growth of 89.52 per cent.

Outlook: Stable

SMERA believes NAM will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established association with Micromax. The outlook may be revised to 'Positive' in case the firm registers significant improvement in profitability, coverage indicators and working capital management. Conversely, the

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SMERA RATINGS LIMITED

National Marketing (NAM)

Rating Rationale

outlook may be revised to 'Negative' in case of significant decline in the firm's cash accruals, or in case of deterioration in the firm's capital structure.

About the firm

NAM, established in 2010, is a Chandigarh-based proprietorship concern promoted by Mr. Gautam Aggarwal. NAM is engaged in distribution of mobile handsets manufactured by Micromax. The firm is also engaged in distribution of electrical appliances.

For FY2012-13, NAM reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.9.09 crore. For FY2013-14 (as per provisional financial statements), the firm reported PAT of Rs.0.39 crore on operating income of Rs.46.46 crore. NAM's net worth stood at Rs.0.72 crore (provisional) as on March 31, 2014, as compared with Rs.0.48 crore a year earlier.

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