

Press Release

Shri Maa Sales

15 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.50 Cr
Long Term Rating	SMERA BBB-/Stable (Assigned)
Short Term Rating	SMERA A3 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short-term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 21.50 crore bank facilities of Shri Maa Sales (SMS). The outlook is '**Stable**'.

Shri Maa Sales (SMS), a proprietorship firm established in 1995 by Mr. Ramswarup Ji Gupta was converted to a partnership firm in 2003. The firm is an authorised dealer for sale and service of Samsung India Electronics Private Limited (SIEPL) in Bhopal and is led by partners, Mr. Ramswarup ji Gupta, Mr. Sanjay Seth, Mr. Prashant Gupta and Ms. Shubra Gupta. It is also a regional distributor for mobile brands including Reliance Jio, Oppo, LYF and Xiaomi (Mi) in and around Bhopal. Additionally, the firm is also engaged in the manufacturing of almirahs.

About the Group

The Bhopal based Shri Maa Group constitutes SMS and Shri Maa Marketing Private Limited incorporated in 2004. The latter is the zonal distributor of mobile brands including Reliance Jio, Apple, Micromax, LYF, Infocus and Xiaomi (Mi). The group is promoted by Mr. Ramswarup Ji Gupta, Mr. Sanjay Seth, Mr. Prashant Gupta, Mrs. Keerti Devi Gupta, Mrs. Kirti Seth and Ms. Shubra Gupta with presence across 51 districts of Madhya Pradesh. The firm has a network of 100 distributors across Madhya Pradesh and 400 dealers in Bhopal.

List of key rating drivers and their detailed description

Strengths:

Established track record and experienced management

The group has operational track record of more than two decades in the trading and distribution business in Madhya Pradesh. It distributes electronic products (including consumer durables and mobile phones). The mobile division contributes around 89 percent to total sales with the rest being contributed by the consumer durables and almirah division. The established presence of the group in the Madhya Pradesh trading business has helped it acquire distribution rights of reputed brands including Reliance Jio, Oppo, Apple, Motorola to name a few.

The group benefits from the extensive experience of more than two decades of the promoters including Mr. Ramswarup Ji Gupta and his , Mr. Sanjay Seth and Mr. Prashant Gupta who collectively possess more than four decades of experience in the trading business. Going forward, SMERA expects the group to benefit from its established presence in the Madhya Pradesh region and established relations with leading suppliers including Reliance Jio handsets, Oppo, Apple, Motorola, LYF, Lenovo, Micromax, Infocus and Xiaomi (Mi).

Comfortable financial risk profile and liquidity profile

The group has comfortable financial risk profile marked by tangible networth of Rs. 15.90 crore as on 31 March, 2017 as against Rs. 13.59 crore in the previous year. The gearing stood at 1.15 times as on 31 March, 2017 as against 0.49 times in the previous year.

The Interest Coverage Ratio stood at 2.52 times for FY2017 as against 2.59 times in the previous year. The Debt Service Coverage Ratio stood at 2.05 times for FY2017 as against 2.09 times in the previous year. The Total outside Liabilities to Tangible networth (TOL/TNW) stood at 1.86 times as on 31 March, 2017 as against 0.96 times as on 31 March, 2016.

The operating cycle of the firm is comfortable as the Gross Current Asset (GCA) days stood at 75 for FY2017 as against 127 days for FY2016. The firm maintains comfortable liquidity profile as the average consolidated bank limit utilisation stood at around 24 percent for the last six months ended November, 2017.

Going forward, SMERA expects the overall financial metrics of the firm to remain comfortable for the rating category.

Weaknesses:

Fluctuating trend in revenue

Shri Maa Group has reported fluctuating trend in revenue with operating income of Rs. 199.60 crore for FY 2017 as against Rs. 71.30 crore in FY2016 and Rs. 126.32 crore in FY 2015. The decline in revenue during FY2015-16 was mainly due to the discontinuation of the distributorship of Samsung Mobile phones during the same year. Samsung required the group to maintain exclusive distributorship for its mobile division but the group decided to acquire the distributorship of Reliance Jio handsets and other brands as well. Further, there was also delay in the full-fledged launch of Reliance Jio handsets by six months which also adversely impacted the sales during FY2015-16. However, the group reported growth of around 1.79 times during FY2016-17 and Rs. 212 crore during April, 2017 to November, 2017. The growth was driven by high demand for Reliance Jio handsets which contributed around 86.35 percent during FY2016-17. Going forward, SMERA expects the firm to report moderate growth in revenue driven by demand for mobile phones and accessories and addition of new brands every year.

Thin operating and PAT margins

Shri Maa group's operates at thin profitability at 2.55 per cent in FY2017 compared to 5.33 per cent in FY2016. The decline in profitability is mainly on account of decline in the proportion of income from consumer durables in total sales for FY2017 (20 percent) compared to FY2016 (58 percent) which commands higher margin as compared to mobile phones. Further, the PAT margins stood at 1.01 per cent in FY2017 as compared to 1.93 percent in FY2016. The thin profitability can also be attributed to the trading nature of operations.

Geographic concentration risk and intense competition

The group is exposed to significant geographic concentration risk as the operations of the group are restricted to Madhya Pradesh. The scaling up of operations will depend on the level of economic activity and spending patterns of customers in Madhya Pradesh. Additionally, it also depends on the level of industrial and agricultural activity in Madhya Pradesh. The firm faces stiff competition from online portals with higher capabilities limiting scope of growth for brick-and-mortar business models. The scaling up is also subject to technology changes and customer preferences.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Shri Maa Sales (SMS) and Shri Maa Marketing Private Limited (SMMPL) owing to operational linkages, similarities in the lines of businesses and common management.

Outlook: Stable

SMERA believes that the outlook on Shri Maa Group's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the industry and established presence in the Madhya Pradesh distributorship business. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while maintaining comfortable liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity or financial risk profile on account of large working capital requirements or low net cash accruals.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	199.60	71.30	126.32
EBITDA	Rs. Cr.	5.31	3.80	5.30
PAT	Rs. Cr.	2.02	1.37	2.68
EBITDA Margin	(%)	2.66	5.33	4.20
PAT Margin	(%)	1.01	1.93	2.12
ROCE	(%)	19.12	18.76	57.20
Total Debt/Tangible Net Worth	Times	1.86	0.96	1.20
PBDIT/Interest	Times	2.52	2.59	4.81
Total Debt/PBDIT	Times	1.15	0.49	0.79
Gross Current Assets (Days)	Days	75	127	59

Applicable Criteria

- Trading Entities – <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-deafult.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	3.00	SMERA BBB-/Stable (Assigned)
Standby Line of Credit	N.A	N.A	N.A.	2.00	SMERA A3 (Assigned)
Electronic Dealer Finance	N.A	N.A	N.A.	10.00	SMERA A3 (Assigned)
Bank Guarantee	N.A	N.A	N.A.	6.50	SMERA A3 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141111 Email: shashikala.hegde@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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