

Press Release

Shri Maa Sales

August 27, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The rating continues to draw comfort from established track record, experienced management and comfortable financial risk profile. The rating also factors the improvement in revenue and net cash accruals. However, the aforementioned strengths are partially offset by thin profitability and geographic concentration risk amidst intense competition.

Shri Maa Sales (SMS) was initially established as proprietorship concern by Mr. Ramswarup Ji Gupta in 1995. Later in 2003, the constitution of SMS was converted into a partnership firm with Mr. Ramswarup ji Gupta, Mr. Sanjay Seth, Mr. Prashant Gupta and Ms. Shubra Gupta as partners. The firm is presently engaged as authorized dealer for sales and service of Samsung India Electronics Private Limited (SIEPL) in Bhopal (Madhya Pradesh). The firm is also engaged as regional distributor for various mobile brands including Reliance Jio handsets, Oppo, LYF and Xiaomi (Mi) in Bhopal and surrounding region. The firm is also engaged in manufacturing of almirah.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Shri Maa Sales (SMS) and Shri Maa Marketing Private Limited (SMMPL) owing to operational linkages, similar line of business and common management.

About the Group

The Bhopal based Shri Maa Group consists of SMMPL and Shri Maa Sales (SMS) established in 1995 which is engaged as authorized dealer for sale and service of Samsung India Electronics Private Limited (SIEPL) in Bhopal. SMS is also engaged as regional distributor for various mobile brands including Reliance Jio handsets, Oppo, LYF and Xiaomi (Mi) in Bhopal and surrounding region. SMS is also engaged in manufacturing of almirah. 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. The group has presence in all 67 districts of Madhya Pradesh with network of 100 regional distributors all over Madhya Pradesh and 500 dealers in Bhopal.

Key Rating Drivers

Strengths

• Established track record of operation and experienced management

The Shri Maa group has operational track record of more than two decades in the trading and distribution business in Madhya Pradesh. The group is engaged in distributorship of electronic products including consumer durable and mobile phones. The mobile division contributes around 85 percent to total sales of the group during FY2018 (Provisional) and remaining is contributed by the consumer durable and almirah division. The established presence in the Madhya Pradesh distributorship business has helped the group to acquire reputed brands including Reliance Jio

handsets, Oppo, Apple, Motorola, LYF, Lenovo, Micromax, Infocus and Xiaomi (Mi). Further, the group has presence in all 51 districts of Madhya Pradesh with network of 100 regional distributors all over Madhya Pradesh and 400 dealers in Bhopal.

The group benefits from the extensive experience of more than two decades of the promoters including Mr. Ramswarup Ji Gupta and his sons, Mr. Sanjay Seth and Mr. Prashant Gupta who collectively possess more than four decades of experience in the trading business. Going forward, Acuite 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 net worth of Rs.21.60 crore as on 31 March, 2018 (Provisional) as against Rs.15.90 crore in the previous year. The debt to equity ratio stood at 0.38 times as on 31 March, 2018 (Provisional) as against 1.15 times in the previous year.

Interest Coverage Ratio stood at 5.02 times in FY2018 (Provisional) as against 2.52 times in the previous year. Debt Service Coverage Ratio stood at 3.58 times in FY2018 (Provisional) as against 2.05 times in the previous year. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.47 times as on 31 March, 2018 (Provisional) as against 1.86 times in the previous year.

The operating cycle of the group is comfortable as the Gross Current Asset (GCA) days stood at 50 in FY2018 (Provisional) as against 75 days in FY2017. The group maintains comfortable liquidity profile as the average consolidated bank limit utilisation stood at around 22 percent for the last six months ending 31 July, 2018. Going forward, Acuite expects the overall financial metrics of the group to remain comfortable for rating category.

- **Improvement in revenue**

Shri Maa Group has reported improvement in revenue with operating income of Rs.330.36 crore in FY2018 (Provisional) as against Rs.199.60 crore in FY2017. The growth in operating income is driven by high demand for Reliance Jio which contributed around 86.35 percent during FY2016-17 and also the group has added Xiaomi (Mi), which during FY2017-18 contributed around 34 percent for the same period.

Weaknesses

- **Thin profitability**

SMS operates at thin profitability as the operating margin stood at 2.97 percent in FY2018 (Provisional) as compared to 2.66 percent in FY2017. The marginal improvement in margins is on account of addition of Xiaomi (Mi) in the product profile which fetches higher margin as compared to other brands. Further, the Profit after tax (PAT) margins stood at 1.57 percent in FY2018 (Provisional) as compared to 1.01 percent in the previous year. The thin profitability can 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 only in the state of 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 group faces stiff competition from online portals with higher capabilities limiting scope of growth for brick and mortar business model. It is also subject to technological changes and customer preferences.

Outlook: Stable

Acuite believes that the outlook on SMS 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 liquidity or financial risk profile on account of large working capital requirements or low net cash accruals.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	324.99	199.60	71.30
EBITDA	Rs. Cr.	9.81	5.31	3.80
PAT	Rs. Cr.	5.20	2.02	1.37
EBITDA Margin	(%)	3.02	2.66	5.33
PAT Margin	(%)	1.6	1.01	1.93
ROCE	(%)	30.77	19.12	18.76
Total Debt/Tangible Net Worth	Times	0.38	1.86	0.96
PBDIT/Interest	Times	5.02	2.52	2.59
Total Debt/PBDIT	Times	0.82	1.15	0.49
Gross Current Assets (Days)	Days	51	75	127

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Feb-2018	Cash Credit	Long Term	3.00	ACUITE BBB-/ Stable (Assigned)
	Standby Line of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Electronic Dealer Finance	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/ Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)
Electronic Dealer Finance	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A3 (Reaffirmed)
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About Acuité Ratings & Research:

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