

Press Release

Shri Maa Sales (SMS)

04 June, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the 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**'.

Shri Maa Sales (SMS) was initially established as proprietorship concern by Mr. Ramswarup Gupta in 1995. Later in 2003, the constitution was changed to partnership firm with Mr. Ramswarup Gupta, Mr. Sanjay Seth, Mr. Prashant Gupta and Ms. Shubra Gupta as partners. The firm is an authorized dealer for Samsung India Electronics Private Limited (Samsung) 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. Further, the company is also engaged in manufacturing of cupboards.

About the group

Bhopal based Shri Maa Group consists of Shri Maa Marketing Private Limited (SMMPL) and Shri Maa Sales (SMS) established in 1995. SMMPL is engaged as a zonal distributor for Reliance Jio, Xiaomi, Apple, Micromax, LYF, and Infocus. The company is based in Bhopal and has presence in 67 districts in Madhya Pradesh through network of Regional Distributors (RDS). SMS is an authorized dealer for Samsung India Electronics Private Limited (Samsung) in Bhopal. SMS is also engaged as regional distributor for various mobile brands including Reliance Jio handsets, Oppo, LYF and Xiaomi (Mi) in Bhopal. SMS is also engaged in manufacturing of almirah. The group is promoted by Mr. Ramswarup Gupta, Mr. Sanjay Seth, Mr. Prashant Gupta, Mrs. Keerti Devi Gupta, Mrs. Kirti Seth and Ms. Shubra Gupta. The group is an authorized distributor in Madhya Pradesh region with network of around 100 regional distributors all over Madhya Pradesh and 500 dealers in Bhopal.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Shri Maa Sales (SMS) and Shri Maa Marketing Private Limited (SMMPL) on account of operational linkages, similar line of business and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**

Shri Maa Group has an operational track record of more than two decades in the trading and distribution business. The group is promoted by 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. The group is engaged in distributorship of electronic products including consumer durable and mobile phones. The mobile division contributes around ~62 percent of total sales and rest is contributed from sale of cupboards, mobile recharges and other electronic products. The established presence of the group and with a wide network of more than 100 regional distributors and over 500 dealers, it has helped the group generate healthy revenues in the past. The group has achieved a revenue of Rs.451.36 Crore in FY2019 as against Rs.328.56 Crore in the previous year. Further, the group has achieved revenues of ~Rs.595 Crore in FY2020.

However in the current lockdown period the operations of the group have been deeply affected. Recharge segment were the only revenue stream which was active during the lockdown period. The operating income in FY2021 are expected to decline as compare to FY2020.

Going forward, Acuité expects the group to benefit from its established presence, experienced management, wide distribution network and its association with reputed suppliers to sustain their business in the near to medium term.

- **Healthy financial risk profile and comfortable working capital cycle**

The Group's financial risk profile have remained healthy marked by moderate net worth, low gearing and strong debt protection metrics. The tangible net worth of the group is moderate and stood at Rs.32.08 Crore as on 31 March 2019 as against Rs.21.27 Crore as on 31 March 2018. The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy accretion to reserves during the same period.

The gearing level (debt-equity) stood comfortable albeit increased at 0.66 times as on 31 March 2019 as against 0.39 times as on 31 March 2018. The total debt outstanding of Rs.21.02 Crore as on 31 March 2019 consists of long term debt of Rs.0.34 Crore and working capital borrowings of Rs.20.68 Crore. The cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.12.00-13.50 Crores against repayment obligations of Rs.0.10 Crore each year for the same period. As a result, the gearing is expected to remain comfortable in near term. The coverage indicators stood healthy marked by interest coverage ratio (ICR) of 9.78 times in FY2019 as against 4.78 times in FY2018. The increase in ICR is majorly on account of significant increase in EBITDA levels coupled with low interest cost in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.48 times in FY2019 and 0.62 times in FY2018.

The working capital cycle of the group is comfortable as the Gross Current Asset (GCA) days stood at 39 in FY2019 as against 47 days in FY2018. The group maintains comfortable liquidity profile as the average bank limit utilization stood at around 25 percent for the last six months ending November, 2019.

Acuité expects the financial risk profile and liquidity profile to remain healthy over the medium term on account of healthy accretion to reserves and comfortable working capital cycle leading to lower reliance on external borrowings.

Weaknesses

- **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, during the current lockdown, the demand would decline with people deferring discretionary purchases of Mobile phone and other electronic expenses. The company faces stiff competition from online portals with higher capabilities limiting scope of growth for brick and mortar business model. It is also subject to technology changes and customer preferences.

Acuité believes that Covid-19 lockdown and intense competition in the market will significantly affect the overall performance of the group in the nearer future.

- **Product concentration risk**

Shri Maa Group is engaged in trading and distribution of Electronic products. Group's major revenue is generated from sale of Xiaomi Corporation (MI) products. In FY2020, Xiaomi contributed almost ~66 of the group's total revenue, the operations of Shri Maa Group are largely dependent on the growth of operations of Xiaomi. The concentration risk is aggravated due to continuous fluctuation in market share in the mobile phones industry. This is on account of stiff competition from the various players who are offering value propositions to its customers, thus increasing their market share in the mobile handset segment.

Acuité believes that the ability of the group to diversify its client base will be a factor of key rating sensitivity.

Outlook: Stable

Acuité 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 higher than expected 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.

Material Covenant

None

Rating sensitivity

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in working capital leading to higher bank limits utilization

Liquidity position: Adequate

The group has adequate liquidity marked by high net cash accruals to negligible maturing debt obligations. The group generated cash accruals of Rs.10.17 Crore for FY2019 against debt repayment obligations of Rs.0.08 Crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.12.00 Crore to Rs.13.50 Crore during FY2020-22 against repayment obligations of Rs.0.06-0.10 Crore each year for the same period. The company's working capital operations are efficient, marked by comfortable Gross Current Assets (GCA) of 39 days for FY2019 as against 47 days in the previous year. This has led to lower reliance on external borrowings, marked by lower bank limit utilization which stood at ~25 percent for six months ending on November, 2019. The group maintained cash and bank balances of Rs.0.67 Crore as on 31 March, 2019. The current ratio stood healthy at 1.89 times as on 31 March 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of high cash accruals against negligible maturity debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	451.36	328.56
PAT	Rs. Cr.	9.90	4.88
PAT Margin	(%)	2.19	1.49
Total Debt/Tangible Net Worth	Times	0.66	0.39
PBDIT/Interest	Times	9.78	4.78

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-November-2019	Cash Credit	Long Term	3.00	ACUITE BBB- (Indicative)
	Stand by line of Credit	Short Term	2.00	ACUITE A3 (Indicative)
	Electronic Dealer Finance	Short Term	10.00	ACUITE A3 (Indicative)
	Bank Guarantee	Short Term	6.50	ACUITE A3

				(Indicative)
27-August-2018	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Stand by line of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Electronic Dealer Finance	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3 (Reaffirmed)
15-February-2018	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Assigned)
	Stand by 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	5.75	ACUITE BBB-/Stable (Reaffirmed)
Stand by line of Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3 (Reaffirmed)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	6.65	ACUITE BBB-/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in	

About Acuite Ratings & Research:

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