

April 04, 2014

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>12.75</b>	<b>SMERA BB-/Stable (Assigned)</b>
<b>Inventory Funding – Adhoc Limit</b>	<b>1.25</b>	<b>SMERA BB-/Stable (Assigned)</b>

SMERA has assigned a rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.14.00 crore bank facilities of SHS Merchants Private Limited (SMPL). The outlook is '**Stable**'. The rating is primarily constrained by the company's short track record of operations and high dependence on a single principal amidst intense competition prevalent in the mobile phone industry. However, the rating derives comfort from the company's experienced management.

SMPL, incorporated in 2005, is Kolkata-based distributor of Samsung mobile phones. SMPL commenced commercial operations in January 2013. The company's business performance is highly correlated with the performance of Samsung's products in the Indian market. SMPL faces intense competitions from Samsung's expanding distribution network and distributors of other branded mobile phones (including Nokia, Micromax and Sony). SMPL is also exposed to geographical concentration risk as the company's operations are restricted to the Central Kolkata region.

SMPL benefits from its experienced management. Mr. Sandeep Tekriwal and Mr. Sanjoy Tekriwal, directors of SMPL, have around two decades of experience (derived through group entities) in distribution of mobile phones.

### **Outlook: Stable**

SMERA believes SMPL will maintain a stable business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profitability, coverage indicators and working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the company's working capital cycle, or in case of deterioration in the company's capital structure.

### **About the company**

SMPL, incorporated in 2005, is Kolkata-based distributor of Samsung mobile phones. SMPL commenced commercial operations in January 2013.

For FY2012-13, SMPL reported PAT of Rs.0.10 crore on operating income of Rs.17.25 crore. Further, the company reported operating income of Rs. 112.77 crore (provisional) during April 2013 to January 2014. SMPL's net worth stood at Rs.2.18 crore as on March 31, 2013.

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