

April 04, 2014

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

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 mobiles 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.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

SHS Merchants Private Limited (SMPL)**Rating
Rationale****Contact List:**

Media/ Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, VP, SME – Sales Tel : +91-22-6714 1177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Umesh Nihalani Head, Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.