

June 12, 2015

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

SMERA has upgraded the long-term rating on the Rs.14.00 crore bank facilities of SHS Merchants Private Limited (SMPL) to **'SMERA BB' (read as SMERA double B)** from 'SMERA BB-' (read as SMERA double B minus). The outlook is **'Stable'**. The upgrade reflects healthy improvement in the company's revenue and working capital management. The rating further draws comfort from the company's experienced management, improvement in the financial risk profile and liquidity position. However, the rating remains constrained by the company's short track record of operations and high dependence on a single principal.

Update

SMPL reported net sales of Rs.139.16 crore in FY2013-14 as compared to Rs.17.25 crore in FY2012-13. SMPL has reported revenue of Rs.111.32 crore (provisional) for the period April 2014 to March 2015. While the company's working capital cycle reduced to 39 days in FY2013-14 from 66 days in FY2012-13, the interest coverage ratio increased to 2.18 times in FY2013-14 from 2.13 times in FY2012-13. The company continues to benefit from its experienced management. Mr. Sandeep Tekriwal and Mr. Sanjoy Tekriwal, Directors, have around two decades of experience in the company's line of business. Also, SMPL's comfortable liquidity position is reflected in the low utilisation (32 per cent) of cash credit limit from July 2014 to May 2015.

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).

Outlook: Stable

SMERA believes SMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins, coverage indicators and working capital management. However, the outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

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SMERA RATINGS LIMITED

SHS Merchants Private Limited (SMPL)

*Rating
Rationale*

About the Company

SMPL, incorporated in 2005, is a Kolkata-based distributor of Samsung mobiles phones. The company commenced operations in January 2013. SMPL reported PAT (profit after tax) of Rs.0.64 crore on operating income of Rs.139.16 crore for FY2013-14, as compared with PAT of Rs.0.10 crore on operating income of Rs.17.25 crore in FY2012-13. The company's net worth stood at Rs.3.57 crore as on March 31, 2014, as compared with Rs.2.18 crore a year earlier. SMPL has reported revenue of Rs.111.32 crore (provisional) for the period April 2014 to March 2015.

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