

SHS Merchants Private Limited (Reaffirmed)

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.00 (Reduced from 12.75)	SMERA BB/Stable (Reaffirmed)
Inventory funding (adhoc limit)	1.25	SMERA BB/Stable (Withdrawn)

SMERA has reaffirmed the long-term rating of **'SMERA BB' (read as SMERA double B)** on the Rs.9.00 crore bank facilities (reduced from Rs.12.75 crore) of SHS Merchants Private Limited (SMPL). The outlook is **'Stable'**. SMERA has also withdrawn the rating of **SMERA BB (read as SMERA BB)** assigned to the Inventory Funding (adhoc limit) of Rs.1.25 crore as duly certified by the banker.

The rating continues to draw comfort from the company's experienced management and moderate financial risk profile. However, the rating remains constrained by the competitive mobile distribution market and high dependence on a single principal. The rating is further constrained on account of geographical concentration risk as the company sells its products in central Kolkata only. SMERA also notes the decline in revenues from Rs.114.50 crore in FY2014-15 to Rs.103.05 crore in FY2015-16 (Provisional).

Update

The company reported low operating profit margin of 0.94 percent in FY2014-15 as compared to 1.17 per cent in FY2013-14. The return on capital employed (ROCE) declined from 12.99 percent in FY2013-14 to 8.82 percent in FY2014-15. The company's interest coverage ratio stands at 2.33 times in FY2014-15 as compared to 2.17 times in FY2013-14. The gearing improved from 4.66 times in FY2013-14 to 1.30 times in FY2014-15.

SMPL continues to benefit from its experienced management. Mr. Sandeep Tekriwal and Mr. Sanjoy Tekriwal, Directors, have around two decades of experience in mobile phone sales.

Rating Sensitivity Factors

- Improvement in revenues and profitability

Criteria Applied to arrive at the rating:

- Trading entities

Outlook: Stable

SMERA believes that SMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers sustained improvement in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Company

SMPL, incorporated in 2005, is a Kolkata-based distributor of Samsung mobiles phones. The company commenced operations in January 2013.

For FY2014-15, SMPL reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.114.50 crore, as compared with PAT of Rs.0.64 crore on operating income of Rs.139.16 crore in FY2013-14. The company's net worth stood at Rs.4.07 crore as on March 31, 2015, as compared with Rs.3.57 crore a year earlier. SMPL has reported revenue of ~Rs.103.05 crore (provisional) for the period April 2015 to March 2016.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating	Rating Outlook
			Long Term	
12 June, 2015	Cash Credit	12.75	SMERA BB (Upgraded)	Stable
	Inventory funding (Adhoc Limit)	1.25	SMERA BB (Upgraded)	Stable
04 April, 2014	Cash Credit	12.75	SMERA BB- (Assigned)	Stable
	Inventory funding (Adhoc Limit)	1.25	SMERA BB- (Assigned)	Stable

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ABOUT SMERA

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