



Press Release

Shri Maa Marketing Private Limited [SMMPL]

April 06, 2021

Ratings

Sl. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Rating Action
1.	Long Term Fund Based Facilities	10.00	IVR BBB; Credit Watch with Developing Implication (IVR Triple B; Credit Watch with Developing Implication)	Reaffirmed; Placed under credit watch with developing implication
2.	Short Term Non-Fund based Facilities	25.00*	IVR A3+; Credit Watch with Developing Implication (IVR A Three Plus; Credit Watch with Developing Implication)	Reaffirmed; Placed under credit watch with developing implication
	Total	35.00		

**Includes proposed Bank Guarantee of INR5.00 Crore*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings continue to derive strength from the established track record & experienced management, growing scale of operation, comfortable cash conversion cycle, strong debt protection parameters, strong dealer network, strong brand association, Good zonal coverage & strong market position of company. The rating however is constrained by moderate profitability, concentration risk & supplier risk, technological obsolescence & inventory risk and competitive and fragmented nature of industry.

Rating on credit watch with developing implication is on account of the headwinds arising out of Covid-19 pandemic. The exact impact of the same is still to be ascertained.

Key Rating Sensitivities:

Upward Rating Factor

- Tie-ups with more leading brands can help the company in increasing its profitability margins and financial profile and could lead to a positive rating action



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Downward Rating Factor

- Any sustained decline in scale of operation and/or profitability leading to significant deterioration in debt protection metrics could lead to a negative rating action.

Key Rating Drivers with detailed description

Established track record and experienced management

SMMPL was incorporated in 2004 and since then it has been the distributor and retailer of leading brands i.e., Hindustan Unilever, Airtel, Britannia, Godrej and Moods. It is a Bhopal based company promoted by Mr. Ramswaroop Gupta, Mr. Sanjay Kumar Seth and Mr. Prashant Gupta. The company is presently engaged as a zonal distributorship for Reliance Jio handsets and Xiaomi (Mi). The group benefits from the extensive experience of more than two decades of the promoters including Mr. Ramswaroop Gupta and his sons Mr. Sanjay Kumar Seth and Mr. Prashant Gupta who collectively possess more than four decades of experience in retailing of branded goods.

High growth in scale of operation

The company has witnessed a high growth in total operating income in the past three years at a CAGR of 40.32% in FY18-FY20. The scale of operation increased from INR261.91 crore in FY18 to INR301.57 crore in FY19 and further to INR515.71 crore in FY20 primarily due to tie up with two leading brands Reliance Jio and Xiaomi and launching of new products by these companies. Though, there was a dip in topline in 9MFY21 i.e., INR245.51 Crore as compared to INR397.83 Crore in 9MFY20 due to Covid-19. However, performance of SMMPL will rebound in FY22 with topline projection of INR500.00Cr on the back of expected rebounding of economy in FY22.

Good Cash Conversion Cycle

SMMPL has a cash conversion cycle of 20 days on an average in FY20. The company gets all its supplies at credit of 15 days against Bank guarantee and provide credit of 5-15 days to all their distributors & dealers and have average inventory holding of 5- 8 days in FY20



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Strong Debt protection parameters

The overall gearing ratio of the company was comfortable at 0.03x as on March 31, 2020 and other indicators like Long term debt to equity ratio of the company was comfortable in last three accounting closing days and stood at 0.01x in in FY20. Interest coverage ratio is also comfortable at 8.54x as on March 31, 2020.

Strong Dealer Network

SMMPL has over a period built up a strong dealer network. Currently, SMMPL has 550 distributors for Reliance Jio who have 56,000 retailers under them and 130 retailers for Xiaomi across Madhya Pradesh. With increasing penetration and increased customer base the distributor and dealer network are expected to increase further in future.

Strong Brand Association

SMMPL is associated with two of the leading companies i.e., Reliance Retail Limited and Xiaomi Technology India Private Limited which have a strong presence in telecom and mobile sectors in India. Further in the past company has been associated with some leading brands like HUL, Airtel, and Samsung & Apple. Considering the rich experience that company has in dealing with products of leading brands they are confident making further new associations in the future.

Good Zonal Coverage

Currently, Shri Maa Marketing Private Limited (SMMPL) is sole Zonal distributor for Reliance Jio in entire Madhya Pradesh. In the year 2015 when Reliance Jio was launched SMMPL was appointed as the Zonal distributor for half of MP but after seeing the better performance the company was appointed as Zonal distributor to entire MP in January 2017. SMMPL has been top performer for Jio among 34 Zonal distributors for the last one year.

Strong market position of company- Entry Barriers for new entrants

SMMPL is the Zonal distributor for Reliance Jio for entire Madhya Pradesh further with passage of time they have built a very strong distributor and dealer network in the last 4-5 years for Reliance Jio. Even for Xiaomi company had started 2 districts and now increased to 9 districts and they have around 60% market share of Xiaomi in entire Madhya Pradesh. In



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addition to it they have prior experience of doing retailing & distributor business for last 25 years. For any other new player to replicate the same and build a similar market position in Madhya Pradesh will take considerable period of time and this acts as an entry barrier

Key Rating Weaknesses

Moderate profitability margins

The profitability margins of the company have been moderate over the last three years. The EBITDA margin and PAT margin of the company have been in the range of 1.82%-3.71% and 1.28% -2.36% respectively during the last three years ended on 31st March 2020. There was a decrease in EBITDA Margin in FY20 due to decrease in margin by one of their super distributors. Players such as Huawei, RealMe, Vivo and OPPO have introduced feature-packed phones at lower prices, hence there is intense competition. However, there is still a huge untapped market for smartphones in India, which reduces the risk of a serious threat. Also, company is trying to add other revenue streams.

Concentration Risk

The revenue profile of the company is geographically concentrated with significant proportion of revenue being generated over the years has been from the state of Madhya Pradesh.

Competitive and fragmented nature of industry

The mobile handset and electronic goods trading industry is highly competitive and fragmented in nature. The company's business is linked to the technological upgradations/ advancements carried out in their respective products by its suppliers. This makes the company's business susceptible to changes in technology and the ability of its suppliers/vendors to adapt to the same. Additionally, the company's margins are dependent on the change of its vendors policies as regards to margins/ discounts.

Analytical Approach & Applicable Criteria:

Standalone Approach

Methodology for Services Companies



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Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Strong

The liquidity ratios of the company remained healthy with the current ratio at 2.88x and the quick ratio at 1.94x as on March 31, 2020. The company does not have any term debt repayment. SMMPL's utilization of the fund based working capital limits was almost Nil in the last 12 months ended Feb-2021. The company have enough cushion in the BG limits too. SMMPL has cash and bank balances of around INR7.11 Crore in FY20 (including restricted cash of around INR7.09 Crore)

About the Company

SMMPL was incorporated in 2004 is a Bhopal based company promoted by Mr. Ramswaroop Gupta, Mr. Sanjay Seth and Mr. Prashant Gupta. SMMPL is presently engaged as a zonal distributorship for Reliance Jio handsets and Xiaomi (Mi).

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	301.57	515.71
EBITDA	11.18	9.40
PAT	7.13	6.61
Total Debt	15.12	0.95
Tangible Net-worth	21.13	27.76
EBITDA Margin (%)	3.71	1.82
PAT Margin (%)	2.36	1.28
Overall Gearing Ratio (x)	0.72	0.03

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings in its press release published on July 01st, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: N.A



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (January 20, 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Cash Credit	Long Term	10.00	IVR BBB; Credit Watch with Developing Implication	--	IVR BBB/Stable Outlook	--
2	Non-Fund Based Facility -Bank Guarantee	Short Term	25.00*	IVR A3 +; Under Credit Watch with Developing Implication	--	IVR A3 +	--

*Includes proposed Bank Guarantee of INR5.00 Crore.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	10.00	NA	NA	--	IVR BBB; Credit Watch with Developing Implication
Short term Facility Non-Fund Based-Bank Guarantee	25.00*	NA	NA	--	IVR A3+; Credit Watch with Developing Implication

**Includes proposed Bank Guarantee of INR5.00 crore*