

Press Release

Shri Maa Marketing Private Limited (SMMPL)

January 20, 2020

Ratings

| Sl. No. | Instrument/Facility | Amount (INR Crore) | Rating Assigned |
|--------------|--------------------------------|--------------------------|---|
| 1 | Long Term (Fund based) | 10.00 | IVR BBB/ Stable Outlook; (IVR Triple B with Stable Outlook) |
| 2 | Short Term (Non-Fund based) | 25.00* | IVR A3 + (IVR A Three Plus) |
| Total | | 35.00 | |

**Includes proposed Bank Guarantee of Rs. 5 crore*

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the Established track record and experienced management, High growth in scale of operation, Good Cash Conversion Cycle, Strong Debt Indicators, Strong Dealer Network, Strong Brand Association, Good Zonal Coverage and Strong market position of company- Entry Barriers for new entrants. The rating however is constrained by Moderate profitability margins and financial profile, Concentration Risk, Technological obsolescence and inventory risk and Competitive and fragmented nature of industry

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
- **Downward Rating Factor-** Any decline in scale of operation can reduce profitability of the company and also significant deterioration in debt protection metrics could lead to a negative rating action

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record and experienced management

Shri Maa Marketing Private Limited (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 high growth in total operating income in the past three years at a CAGR of 43.87% in FY17-FY19. The scale of operation increased from Rs.145.69 crore in FY17 to Rs.261.91 crore in FY18 and further to Rs.301.57 crore in FY19 primarily due to tie-up with two leading brands Reliance Jio and Xiaomi and launching of new products by these companies.

Good Cash Conversion Cycle

Shri Maa Marketing Private Limited has a cash conversion cycle of 20 days on an average. The company gets all its supplies at credit of 15 days against Bank guarantee and provides credit of 5-15 days to all their distributors & dealers and has an average inventory holding of 5-8 days.

Strong Debt Indicators

The overall gearing ratio of the company was comfortable at 0.71x as on March 31, 2019 and also other indicator like Long term debt to equity ratio of the company was comfortable and it saw a marginal decrease in FY19 to 0.01x from 0.02x in FY18. Interest coverage ratio is also comfortable at 13.07x as on March 31, 2019.

Strong Dealer Network

Shri Maa Marketing private Limited (SMMPL) has over a period of time 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 is expected to increase further in future.

Strong Brand Association

SMMPL is associated with two of the leading companies i.e. Reliance Jio and Xiaomi 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 such 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 6 months. For Xiaomi it was appointed as Zonal distributor for 2 districts in FY 17-18 and keeping in mind the performance of the company as on date this number has increased to 9 districts.

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 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 very high entry barrier

Key Rating Weaknesses

Moderate profitability margins and financial profile

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 2.5-4.0% and 1-2.5% respectively during the last three years.

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.

Technological obsolescence and inventory risk

The mobile and electronics trading industry faces high price volatility risk as products are exposed to various risks such as new technology, changing market dynamics and new model launches etc. Though the products which remain unsold by the resellers on account of obsolescence, the same are sold in offer period on discount by SMMPL on advised by the principal

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 margins/ discounts allowed to distributors like the company.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for services sector companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Strong

The liquidity profile of the company is strong characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company maintains sufficient cash balances to meet its liquidity requirements. With an Overall Gearing ratio of 0.71x as of March 31, 2019. The average utilization was negligible during the 12 months ended August 31, 2019 indicates comfortable liquidity position

About the company

Shri Maa Marketing Private Limited (SMMPL) incorporated in 2004 is a Bhopal based company promoted by Mr. Ramswaroop Gupta, Mr. Sanjay 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. Ramswarup 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.

Financials (Standalone)

(Rs. Crore)

| For the year ended / As on | 31-Mar-18 (A) | 31-Mar-19 (A) |
|-----------------------------------|----------------------|----------------------|
| Total Operating Income | 261.91 | 301.57 |
| EBITDA | 6.14 | 11.18 |
| PAT | 3.65 | 7.13 |
| Total Debt | 0.30 | 15.12 |
| Tangible Net worth | 14.04 | 21.00 |
| EBIDTA Margin (%) | 2.34 | 3.71 |
| PAT Margin (%) | 1.39 | 2.36 |
| Overall Gearing ratio (x) | 0.02 | 0.71 |

* Classification as per Infomerics' standards

Details of Non-Cooperation with any other CRA: Brickwork Ratings in its press release published on January 16, 2019 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: N.A

Rating History for last three years:

| Name of Instrument/ Facilities | Current Rating (Year 2019-20) | | | Rating History for the past 3 years | | |
|-----------------------------------|-------------------------------|-----------------------------------|--------|-------------------------------------|----------------------------|----------------------------|
| | Type | Amount outstanding (Rs. crore) | Rating | Rating assigned in 2018-19 | Rating assigned in 2017-18 | Rating assigned in 2016-17 |

| | | | | | | |
|-----------------------|------------------------------|--------------|------------------------|----|----|----|
| Fund Based Facilities | Cash Credit (CC) | 10.00 | IVR BBB/Stable Outlook | -- | -- | -- |
| Non-Fund Facilities | Bank Guarantee (BG) | 20.00 | IVR A3+ | -- | -- | -- |
| Non-Fund Facilities | Proposed Bank Guarantee (BG) | 5.00 | IVR A3+ | -- | -- | -- |
| | Total | 35.00 | | | | |

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:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

| Sr. no | Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crores) | Rating Assigned/ Outlook |
|--------------|--|------------------|------------------|---------------|-------------------------------|--------------------------|
| 1 | Fund Based Cash Credit | -- | -- | -- | 10.00 | IVR BBB/Stable Outlook |
| 2 | Non-Fund Based Bank Guarantee | -- | -- | -- | 20.00 | IVR A3+ |
| 3 | Non-Fund Based Proposed-Bank Guarantee | -- | -- | -- | 5.00 | IVR A3+ |
| Total | | | | | 35.00 | |