



Press Release

Shri Maa Marketing Private Limited

January 18, 2023

Ratings:

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Rating Action | Complexity Indicator |
|--|---|---|--|--------------------------------------|
| Long Term Bank Facilities | 54.00 (Reduced from Rs.59.00 crore) | IVR BB+/ Stable (IVR Double B Plus with Stable Outlook) | Revised from IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook) | Simple |
| Short Term Bank Facilities | 10.00 | IVR A4+ (IVR A Four Plus) | Revised from IVR A3 (IVR A Three) | Simple |
| Long Term/ Short Term Bank Facilities (Proposed) | 5.00 | IVR BB+/ Stable/ IVR A4+ (IVR Double B Plus with Stable Outlook/ IVR A Four Plus) | Assigned | Simple |
| Total | 69.00 (Rupees Sixty-Nine crore only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the ratings assigned to the bank facilities Shri Maa Marketing Private Limited (SMMPL) factors in the continued deterioration in the company's profitability margins, capital structure and debt protection metrics in FY22. The ratings continue to factor in the company's moderate scale of operations, high geographical concentration risk and technological obsolescence and inventory risk. The ratings also factor in the extensive experience of promoters, strong market position of the company in Madhya Pradesh with strong dealer network and strong brand association, and prudent working capital management.

Key Rating Sensitivities

Upward Factors

- Increase in total operating income by more than 15% on a sustained basis.
- Increase in EBITDA margin to more than 2% on a sustained basis.

Downward Factors

- Deterioration in total operating income and/ or EBITDA margin.
- Deterioration of overall gearing ratio to more than unity.



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- Stretch in working capital cycle above 60 days.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or liquidity position of the company.

Key Rating Drivers with detailed description:

Key Rating Strengths:

Extensive experience of promoters

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. Sanjay Kumar Seth and Mr. Prashant Gupta. The group benefits from the extensive experience of more than two decades of the promoters. Mr. Prashant Gupta has 20+ years of experience, Mr. Sanjay Kumar Seth has 20+ years of experience and Ms. Kirti Seth has 20+ years of experience.

Strong market position of the company with strong brand association and strong dealer network

SMMPL is associated with two of the leading mobile handset companies in India, i.e., Reliance Jio and Xiaomi. SMMPL is the zonal distributor for Reliance Jio for the whole of Madhya Pradesh. With passage of time, the company has built a very strong distributor and dealer network in the last 4-5 years for Reliance Jio and increased its coverage from half of the state of Madhya Pradesh to the entire state. For Xiaomi, the company had started with 2 districts, which has now increased to 9 districts; the company has around 60% market share of Xiaomi in the whole of Madhya Pradesh. Currently, SMMPL has 550 distributors for Reliance Jio, who have 56,000 retailers under them, and 130 retailers for Xiaomi across Madhya Pradesh. With increased penetration of both Reliance Jio and Xiaomi in the country, the dealership and area coverage for both these companies are expected to increase going forward. In addition to these, the promoters have experience of doing retailing and distributorship business for the last 25 years. For any other new player, to replicate the same and build a similar market position in Madhya Pradesh, it will take a considerable period of time and these act as an entry barrier to the new entrants in the state to some extent.

Prudent working capital management

The operating cycle is comfortable at 20 days in FY22 (compared to 23 days in FY21), which shows less reliance on working capital debt. In FY22, the average inventory holding duration is 14 days (FY21: 14 days) while the average collection period is 12 days (FY21: 15 days) and



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the average creditors period was 6 days (FY21: 6 days). The average utilization of the cash credit limit of the company stood low at 19.71% during the 12 months ended November 2022, while that of the channel financing limit was very low at 3.15% during the 12 months ended November 2022.

Key Rating Weaknesses:

Moderate scale of operations

Over the past three fiscal years ended in FY22, the company's overall income has fluctuated. The total operating income (TOI) deteriorated sharply by around 33.5% in FY21 from Rs.515.71 crore in FY20 to Rs.342.48 crore in FY21 mainly due to the lockdown imposed in the country on account of covid-19. Subsequently, due to an increase in sales volume and rising product demand for Reliance Jio and Xiaomi handsets, the TOI increased by around 25% to Rs. 428.27 crore in FY22. However, the same did not go back to the pre-covid levels. It may also be noted that there is a deviation between its audited performance for FY22 as compared to the projected performance for the year. In H1FY23, the TOI was more or less stable at Rs.226.89 crore as compared to Rs.218.54 crore in H1FY22.

Continued deterioration in profitability margins

The profitability margins of the company were already very thin and have deteriorated further in FY22. EBITDA margin and PAT margin of company had decreased from 1.82% and 1.28% respectively in FY20 to 1.11% and 0.89% respectively in FY21 due to the dip in the TOI. The EBITDA margin and PAT margin decreased further to 0.61% and 0.41% respectively on account of fluctuation in prices of traded goods. The profitability margins were slightly better in H1FY23 as compared to H1FY22.

Continued deterioration in capital structure and debt protection metrics

The company primarily funds its operations using working capital from banks. In FY21, the company's working capital borrowings increased despite the decline in the scale of operations due to impact of Covid-19 and subsequent lockdown. This resulted in deterioration in the capital structure with overall gearing and TOL/ TNW at 0.26x and 0.75x respectively as on March 31, 2021 against 0.04x and 0.50x respectively as on March 31, 2020. The debt protection metrics also deteriorated sharply in FY21, viz. interest coverage and total debt to GCA ratios were at 11.82x and 2.47x respectively in FY21 against 15.77x and 0.14x respectively in FY20.



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The capital structure and debt protection metrics deteriorated further in FY22 with further increase in the working capital borrowings to fund the increase in scale of operations and availment of vehicle loans. The overall gearing ratio and TOL/TNW ratio deteriorated to 0.35x and 0.69x respectively as on March 31, 2022, while the interest coverage and total debt/GCA ratios deteriorated to 6.25x and 5.56x respectively in FY22.

High geographical concentration risk

The company continues to derive most of its revenue from Madhya Pradesh (around 97% in FY22), which makes it geographically concentrated. The company is trying to de-risk this to an extent by venturing into retail- it has opened three MI Home retails outlets in Mumbai with branch in Thane, Malad and Kurla.

Technological obsolescence and inventory risk

The trading of mobile phones and other electronic items is a very competitive and fragmented market. The technological improvements and breakthroughs made by the company's suppliers in each of their goods have an impact on its operations. Due to this, the company's operations are subject to technological advancements and the degree to which its suppliers and vendors can keep up.

Analytical Approach: Standalone

Applicable Criteria:

[Policy of Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The company's liquidity position is expected to remain adequate in the near to medium term driven by sufficient cushion in expected accruals as compared to the debt repayment obligations during FY23-25. As on March 31, 2022 the company's current ratio was 1.94x, reduced from 2.11x as on March 31, 2021. Unencumbered Cash and cash equivalent were worth Rs.2.03 crore as of March 31, 2022. The average utilization of its fund-based limits was low during the 12 months ended November 2022, indicating adequate liquidity buffer. The company is projecting a minor capex during FY23-25 pertaining to increase in office equipment which is expected to be funded out of internal accruals.



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About the Company

Incorporated in 2004, SMMPL is a Bhopal-based business that is run by Ms. Kirti Devi Gupta, Ms. Prashant Gupta, Ms. Kirti Seth, Mr. Sanjay Kumar Seth, Ms. Subhra Gupta. The company is working as a zonal distributor for Xiaomi (Mi) and Reliance Jio smartphones.

Financials: Standalone

(Rs. crore)

| For the year ended/ As on* | 31-03-2021 | 31-03-2022 |
|----------------------------|------------|------------|
| | (Audited) | (Audited) |
| Total Operating Income | 342.48 | 428.27 |
| EBITDA | 3.80 | 2.60 |
| PAT | 3.05 | 1.74 |
| Total Debt | 8.10 | 11.28 |
| Tangible Networth | 30.82 | 32.54 |
| Ratios | | |
| EBITDA Margin (%) | 1.11 | 0.61 |
| PAT Margin (%) | 0.89 | 0.41 |
| Overall Gearing Ratio (x) | 0.26 | 0.35 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

| Sr. No | Name of Instrument/ Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|--------|--------------------------------|--------------------------------|--------------------|-----------------|---|---|--|
| | | Type | Amount (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 (October 27, 2021) | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 (January 20, 2020) |
| 1. | Cash Credit | Long Term | 14.00 | IVR BB+/ Stable | <ul style="list-style-type: none"> IVR BBB-/ Stable (October 27, 2021) IVR BBB; Credit Watch with Developing Implications | - | IVR BBB/ Stable |



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| Sr. No | Name of Instrument/ Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|--------|---|-----------------------------------|-----------------------|----------------------------|--|---|---|
| | | Type | Amount (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 (October 27, 2021) | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 (January 20, 2020) |
| | | | | | (April 6, 2021) | | |
| 2. | Electronic Dealer Finance System (eDFS) | Long Term | 6.00 | IVR BB+/Stable | • IVR BBB-/Stable (October 27, 2021) | - | - |
| 3. | Channel Finance | Long Term | 34.00 | IVR BB+/Stable | • IVR BBB-/Stable (October 27, 2021) | - | - |
| 4. | Bank Guarantee | Short Term | 10.00 | IVR A4+ | • IVR A3 (October 27, 2021) • IVR A3+; Credit Watch with Developing Implications (April 6, 2021) | - | IVR A3+ |
| 5. | Proposed Non-Fund based Limit | Long/Short Term | 5.00 | IVR BB+/Stable/ IVR A4+ | - | - | - |

Name and Contact Details of the Rating Team:

| | |
|--|--|
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after



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obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), 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:

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Cash Credit | - | - | - | 14.00 | IVR BB+/ Stable |
| Electronic Dealer Finance System (eDFS) | - | - | - | 6.00 | IVR BB+/ Stable |
| Channel Finance | - | - | - | 34.00 | IVR BB+/ Stable |
| Bank Guarantee | - | - | - | 10.00 | IVR A4+ |
| Proposed Non-Fund based Limit | - | - | - | 5.00 | IVR BB+/ Stable/ IVR A4+ |

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ShriMaa-Marketing-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not



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Applicable

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

