



Press Release

Shri Maa Marketing Private Limited (SMMPL)

April 05, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facilities- Cash Credit	15.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities- Cash Credit	12.00 (Reduced from 14.00 crore)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Upgraded and removed from the ISSUER NOT COOPERATING CATEGORY	Simple
Long Term Fund Based Facilities- Inventory Funding	30.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Non- Fund Based Limits - Bank Guarantee	16.00 (Increased from 10.00 crore)	IVR A3 (IVR A Three)	Upgraded and removed from the ISSUER NOT COOPERATING CATEGORY	Simple
Short Term Non- Fund Based Limits - Bank Guarantee	15.00	IVR A3 (IVR A Three)	Assigned	Simple
Long term fund-based facilities- EDFC	0.00 (Reduced from 6.00 crore)	--	Withdrawn*	Simple
Long term fund-based facilities- Channel finance	0.00 (Reduced from 34.00 crore)	--	Withdrawn*	Simple
Proposed Long Term/Short Term	0.00 (Reduced from 5.00 crore)	--	Withdrawn**	Simple
Total	88.00	(Rupees Eighty-Eight Crore only)		--

*Withdrawn since the earlier facilities of EDFC has been closed vide sanction letter of SBI and Channel Finance facility from Axis Bank amounts to Rs. 34.00 crore has been changed to Inventory funding amounts to Rs. 30.00 crore.

**Withdrawn since the proposed limit of Rs. 5 crores now availed as Bank Guarantee.



Press Release

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics has upgraded/withdrawn the ratings of SMMPL on account of improvement in the profitability margins with stable revenue growth, strong credit profile, diversification of revenue profile and plans of further diversification of distribution of Samsung India Private Limited's consumer durables for the State of Madhya Pradesh. Further the ratings continue to derive strength from moderate financial risk profile, moderate capital structure and stable debt protection metrics, extensive experience of management and established network, strong dealer network, strong brand association, good zonal coverage, and strong market position of company, working capital management. The rating is however constrained by high geographical concentration risk, thin profit margins, technological obsolescence, and inventory risk, highly fragmented and competitive nature of industry.

The rating was migrated to ISSUER NOT COOPERATING category as SMMPL had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, SMMPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

The withdrawal of ratings is in line with Infomerics policy on withdrawal of ratings.

Key Rating Sensitivities:

Upward Factors:

- Sustained improvement in revenue and EBITDA margins while maintaining the current credit profile.

Downward Factors:

- Any deterioration in revenue and EBITDA margins and/or any deterioration in working capital cycle leading to deterioration in liquidity profile and credit profile.
- Any cancellation of distribution licence from Reliance Retail or Xiaomi Technology India Private Limited or HPCL Mittal Energy Limited or any addition to the competition in the market where the company operates.



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths:

Stable revenue growth

SMMPL has stable revenue growth during FY23 which increased by 1.62% on y-o-y basis to 435.33 crore driven by stable sale of mobiles and increased revenue from recharge business. As per 9MFY24, the SMMPL has reported TOI (total operating income) of Rs.332.66 crore as against TOI of Rs.319.86 crore in 9M FY23. The profitability margins of the company though thin have improved in FY23. The EBITDA margin and PAT margin of SMMPL has improved to 1.26% and 0.82% respectively in FY23 from 0.61% and 0.41% respectively in FY22 on account of increase in demand of the products.

Improved capital structure and stable debt protection metrics:

SMMPL's capital structure has improved in FY23 with overall gearing and TOL/TNW improved to 0.14x and 0.30x respectively as on 31st March 2023 (31st March 2022: 0.35x and 0.60x) due to improved profitability and lower debt. Infomerics expects capital structure to remain strong with absence of debt led capex and stable profitability. Debt protection metrics also remained stable with EBITDA interest coverage and total debt/GCA is at 7.90x and 1.36x respectively at the end of FY23 (FY22:8.37x and 5.56x respectively).

Extensive experience of management and established network:

Incorporated in 2004, SMMPL has more than two decades of experience in distribution of various consumer products. Currently, SMMPL is zonal distributor of Reliance Jio and Xiaomi (Mi) handsets for the Madhya Pradesh region. Promoter, 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.

Strong Dealer Network

SMMPL has over a period built up a strong dealer network. Currently, SMMPL has 650 distributors for Reliance Jio who have 60,000 retailers under them and 130 retailers for Xiaomi Technology India Private Limited, across Madhya Pradesh. With increasing penetration and increased customer base the distributor and dealer network are expected to increase further in future.



Press Release

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.

SMMPL is planning to start distribution of the consumer durables of the Samsung India Private Limited during FY25.

Prudent working capital management

The operating cycle is comfortable at 18 days in FY23 (compared to 19 days in FY22), which shows less reliance on prudent working capital management. In FY23, the average inventory holding period is at 12 days (FY22: 14 days) while the average collection period is at 8 days (FY22: 11 days) and the average creditors period was 2 days (FY22: 6 days).

Key Rating Weaknesses:

Thin but improving Profit Margin:

SMMPL's EBITDA margins remained thin though improved during FY23 to 1.26% (FY22: 0.61%) with lower operating expenses. Infomerics expects EBITDA margins are expected to be remained thin with nature of distribution business.

High geographical concentration risk

The company's income profile is regionally focused, with a sizeable amount of revenue coming from the state of Madhya Pradesh over the years. The company has built three MI Home retail stores in Mumbai with branches in Thane, Malad, and Kurla as part of its efforts to lower concentration risk and by enter the retail market.

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



Press Release

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.

Highly fragmented and competitive and nature of industry

The Indian Electronics industry possesses major threat of established manufacturing ecosystems in China, Japan, Taiwan, South Korea, etc. Also, the emergence of low-cost manufacturing destinations, like Vietnam, has created the tough competition. Inadequate testing facilities, delayed policy implementations are some of the major inhibitors of competitiveness in global manufacturing sector of electronics. Additionally, the company's margins depend on modifications to its vendors' margin/discount policies.

Analytical Approach: Standalone

Applicable Criteria:

[Policy of Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Trading Companies](#)

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

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of Rs.3.76 Crore in FY23. Cash and cash equivalent amounted to Rs.0.34 Crore as on 31st March 2023. The average fund- based utilization for 12 months ended February 2024 stood at around 74%. The current ratio stood at 3.16x as on 31st March 2023.

About the Company:

Incorporated in 2004, Shri Maa Marketing Private Limited (SMMPL) is a Bhopal-based business that is run by Mr. Ramswarupji Gupta, Mr. Sanjay Seth, and Mr. Kirti Seth. The organization is working as a zonal distributorship for Xiaomi (Mi) and Reliance Jio smartphones. The promoters, including Mr. Ramswarup Gupta, Mr. Sanjay Seth, and Mr. Prashant Gupta, have more than two decades of experience in the retailing of branded goods, and have considerable experience spanning more than two decades. SMMPL has been in the



Press Release

distribution and retail business since its inception. SMMPL served as a distributor for Hindustan Unilever, Airtel, Britannia, Godrej, and Moods between 2004 and 2009.

Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	428.27	435.33
EBITDA	2.60	5.47
PAT	1.75	3.57
Total Debt	11.28	5.11
Tangible Net-worth	32.55	36.12
Ratios		
EBITDA Margin (%)	0.61	1.26
PAT Margin (%)	0.41	0.82
Overall Gearing Ratio (x)	0.35	0.14

*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 2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2023-24. (Mar 18, 2024)	Date(s) & Rating(s) assigned in 2022-23. (Jan 18, 2023)	Date(s) & Rating(s) assigned in 2021-22. (Oct 27, 2021)
1	Cash Credit	Long Term	12.00 (Reduced from 14.00 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB / Negative; ISSUER NOT COOPERATING'	IVR BB+ / Stable	IVR BBB- / Stable
2	Cash Credit	Long Term	15.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--	--
3	Inventory Funding	Long Term	30.00	IVR BBB-/Stable (IVR Triple B Minus with	--	--	--



Press Release

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				Stable Outlook)			
4	Electronic Dealer Finance System (eDFS)	Long Term	0.00	--	IVR BB / Negative; ISSUER NOT COOPERATING'	IVR BB+ / Stable	IVR BBB- / Stable
5	Channel Finance	Long Term	0.00	--	IVR BB / Negative; ISSUER NOT COOPERATING'	IVR BB+ / Stable	IVR BBB- / Stable
6	Bank Guarantee	Short Term	16.00 (Increased from 10.00 crore)	IVR A3 (IVR A Three)	IVR A4; ISSUER NOT COOPERATING	IVR A4+	IVR A3
7	Bank Guarantee	Short Term	15.00	IVR A3 (IVR A Three)	--	--	--
8	Proposed Non-fund based Limit	Long Term & Short Term	0.00	--	IVR BB / Negative; ISSUER NOT COOPERATING' & IVR A4; ISSUER NOT COOPERATING	IVR BB+ / Stable & IVR A4+	--

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Press Release

***Withdrawn since the proposed limit of Rs. 5 crores now availed as Bank Guarantee.*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. 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 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



Press Release

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 (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities –Cash Credit	--	--	--	27.00	IVR BBB-/ Stable
Long Term Fund Based Limit – Inventory Funding	--	--	--	30.00	IVR BBB-/ Stable
Short Term Non- Fund Based Limits - Bank Guarantee	--	--	--	31.00	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ShriMaaMarketing-apr24.pdf>

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

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 <https://www.infomerics.com/>.