



Press Release

Shri Maa Marketing Private Limited [SMMPL]

October 27, 2021

Ratings

Sl. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Rating Action
1.	Long Term Fund Based Bank Facility– Cash Credit	14.00 (Increased from INR10.00 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Rating revised and removed from credit watch with developing implications
2.	Long Term Fund Based Bank Facility – EDFC	6.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
3.	Long Term Fund Based Bank Facilities – Channel Finance	39.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
4.	Short Term Non-Fund based Bank Facility – Bank Guarantee	10.00 (Reduced from INR20.00 crore)	IVR A3 (IVR Single A Three)	Rating revised and removed from credit watch with developing implications
	Total	69.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Shri Maa Marketing Private Limited (SMMPL) reflects its higher-than-expected decline in revenue & profitability in FY21 majorly on account of disruptions caused by ongoing global Covid 19 pandemic.

However, the ratings continue to derive comfort from the established track record & experienced management, good cash conversion cycle, strong albeit declined debt protection parameters, strong dealer network, strong brand association, good zonal coverage & strong market position of company. The rating however is constrained by decline in scale of operations & profitability, concentration risk and competitive and fragmented nature of industry.



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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 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.

Good Cash Conversion Cycle

SMMPL has a cash conversion cycle of 20 days on an average in FY21. 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- 14 days in FY21.

Strong Debt protection parameters: albeit declined

The overall gearing ratio of the company was comfortable at 0.26x as on March 31, 2021 (FY20:0.03x) and other indicators like long term debt to equity ratio of the company was comfortable in last three accounting closing days and stood nil in FY21. Interest coverage ratio is also comfortable at 11.82x (15.77x) as on March 31, 2021. The decline in the debt protection metrics is majorly on account of muted revenue.



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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 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

Decline in scale of operations & profitability



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The company's total operating income fell ~ 33.50% in FY21 to INR342.48 crores from INR515.71 crores in FY20. Revenue reduced due to impact of Covid-19 and subsequent lockdown. However, the company revenue has increased ~ 42.12% in H1FY22 to INR207.69 Crore as against INR146.14 Crore in HIFY21. Moreover, in FY21-22, the company have become the distributor of HPCL Mittal energy Private limited for Madhya Pradesh zone, so now SMMPL has added new segment of business of polyphenylene ether (PPE) and polypropylene (PP). However, there was a fall in the company's revenues in FY21 compared to FY20.

The company's EBITDA margins fell by ~ 59.55%, EBITDA margins to 1.11% in FY21 (FY20:1.82 %) and PAT margins to 0.89% in FY21 (FY20:1.28 %) due to dip in revenue.

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. The company is in the process of reducing concentration risk and also venturing into retail as they have opened three MI Home retails outlets in Mumbai with branch in Thane, Malad and Kurla.

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

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Strong



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The liquidity ratios of the company remained healthy with the current ratio at 2.11x and the quick ratio at 1.42x as on March 31, 2021. The company has gross cash accrual of INR. 3.29 Crore against nil repayment obligation in FY21. SMMPL's utilization of the bank limits was low at around -5.03% for the 12 months ended August 2021. The company have enough cushion in the BG limits too. SMMPL has cash and bank balances of around INR7.14 Crore in FY21 (including restricted cash of around INR7.04 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 engaged as a zonal distributorship for Reliance Jio handsets and Xiaomi (Mi). Furthermore, SMMPL have become the distributor of HPCL Mittal energy Private limited for Madhya Pradesh zone, so now SMMPL has added new segment of business of polyphenylene ether (PPE) and polypropylene (PP) in FY21-22.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	515.71	342.48
EBITDA	9.40	3.80
PAT	6.61	3.05
Total Debt	0.95	8.10
Tangible Net-worth	27.76	30.82
EBITDA Margin (%)	1.82	1.11
PAT Margin (%)	1.28	0.89
Overall Gearing Ratio (x)	0.03	0.26

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Brickwork Ratings in their press release dated July 01st, 2020 have continued to classify Shri Maa Marketing Private Limited as ISSUER NOT COOPERATING.

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 2021-22 (April 06, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (January 20, 2020)
1.	Fund Based Bank Facility – Cash Credit	Long Term	14.00 (Increased from INR10.00 Crore)	IVR BBB-/Stable Outlook	IVR BBB; Credit Watch with Developing Implication	--	IVR BBB/Stable Outlook
2	Fund Based Bank Facility – EDFC	Long Term	6.00	IVR BBB-/Stable Outlook	--	--	--
3.	Fund Based Bank Facilities – Channel Finance	Long Term	39.00	IVR BBB-/Stable Outlook	--	--	--
4.	Non-Fund based Bank Facility – Bank Guarantee	Short Term	10.00 (Reduced from INR20.00 crore)	IVR A3	IVR A3 +; Under Credit Watch with Developing Implication	--	IVR A3 +

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



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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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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based – Cash Credit	--	--	Revolving	14.00	IVR BBB-/Stable Outlook
Long Term Fund Based – EDFC	--	--	--	6.00	IVR BBB-/Stable Outlook
Long Term Fund Based – Channel Finance	--	--	--	39.00	IVR BBB-/Stable Outlook
Short Term Non- Fund Based – Bank Guarantee	--	--	--	10.00	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/shri-maa-marketing-lenders-oct21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	EDFC	Simple
3.	Channel Finance	Simple
4.	Bank Guarantee	Simple

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.