February 13, 2025

Sangeetha Mobiles Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – fund-based limits	-	85.00	[ICRA]A- (Stable); reaffirmed
Short term – fund-based limits	35.00	35.00	[ICRA]A2+; reaffirmed
Short term – non-fund based	-	25.00	[ICRA]A2+; reaffirmed
Short term – fund-based/ Non fund based	60.00	20.00	[ICRA]A2+; reaffirmed
Long term – fund-based - cash credit	70.00	-	-
Total	**165.00**	**165.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation on the bank lines of Sangeetha Mobiles Private Limited (SMPL) considers an expected improvement in its operational and financial performances over the medium term, supported by its established presence in the South Indian market, healthy brand recall value and extensive experience of the promoters in the mobile retail industry. While its revenues grew by 8.6% (on a YoY basis) to Rs. 2,407.6 crore in FY2024, supported by an increase in the average selling prices of handsets sold, its operating margins moderated by 90 bps to 4.1% in FY2024 due to a reduction in the dealer margins by certain OEMs and an increase in promotional spend. In January 2025, SMPL had opened its first smart gadget store, offering both smart gadgets and mobile phones in the same store. It is planning to gradually extend to other stores. In 9M FY2025, SMPL had registered revenues of Rs.1,936.5 crore and is likely to register a modest growth over the medium term. With the recent foray into the smart gadgets segment, margins of SMPL are likely to witness a modest growth over a medium term. The ratings continue to derive comfort from the company's healthy financial profile, as reflected by total debt/TNW of 1.4 times in FY2024. Despite moderation in profitability in FY2024, debt coverage indicators have remained healthy and are likely to improve over the medium term, with an increase in profitability.

The ratings, however, remain constrained by the company's low operating margin due to the retail nature of operations and intense competition from online and off-line vendors, which limits its pricing flexibility. These apart, the ratings continue to remain constrained by its high geographical concentration with ~53% of its revenues derived from Karnataka and high product concentration with focus mainly on mobile phones and accessories.

The Stable outlook on the long-term rating reflects ICRA's expectation that SMPL is likely to register a modest revenue growth and an improvement in margins over the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further increase the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence as one of the leading multi-brand retail mobile phone vendors in South India – SMPL commenced operations in 2008 as a mobile phone retailer and has established itself as a dominant player in the South Indian multi-brand mobile retail market with 783 stores as of December 31, 2024. Operating in the market for more than two decades, the company is among the largest players in India with strong brand presence in Karnataka, Telangana, Tamil Nadu, Andhra Pradesh and Goa. Strong relationships with major mobile manufacturers lend stability to its volumes in the long term. Further, SMPL had recently opened its first smart gadgets store at JP Nagar, Bengaluru, offering both smart gadgets and mobiles under one roof. Strong relationship with major mobile manufacturers and plans to increase its online sales lend stability to its volumes in the long term.

Healthy financial profile – SMPL's financial profile is characterised by a healthy capital structure with Total Debt/TNW of 1.4 times in FY2024, supported by its strong net worth position and steady earnings. Despite some moderation in coverage indicators with a reduction in margins, it remains satisfactory with an interest coverage of 2.9 times in FY2024. Further, with an expected increase in profitability over the medium term, supported by various new product launch initiatives taken by the entity, it is likely to improve further. The liquidity profile also remains healthy with a low working capital intensity of ~10% in FY2024 and free cash and bank balances of ~Rs.19 crore as of December 31, 2024.

Credit challenges

Exposed to high geographical and product concentration risks – With high focus on mobile phones and accessories, SMPL's product concentration risk remains high and any weakening of demand for mobile phones will impact its operational profile. However, demand for mobile phones is unlikely to decline in the medium term. The company's operating revenue is mainly concentrated in Karnataka, which accounted for around 53% of sales in FY2024 (50.8% in FY2023), indicating high geographical concentration risk. Nevertheless, its widening presence in other states like Telangana, Tamil Nadu and Andhra Pradesh along with launch of new products to its portfolio mitigates the risk to an extent.

Moderate operating profitability due to intense competition across product categories, which limits pricing flexibility – Given the retail nature of operations, SMPL's operating margins are expected to remain at a moderate level due to lack of pricing flexibility amid intense competition. In FY2024, the company reported an OPBITDA margin of 4.1% against 5.0% in FY2023 mainly due to reduction in dealer price margins by certain OEMs. Further, the mobile retail industry is characterised by stiff competition due to its fragmented nature with a considerable volume share enjoyed by many small unorganised players, continuous expansion undertaken by a few large regional players and presence of e-commerce players. However, with a strong brand presence and focused marketing initiatives, SMPL has been able to maintain a reasonable market position, leading to stable volume and earnings over the years, despite limited pricing flexibility.

Liquidity position: Adequate

SMPL's liquidity is expected to remain adequate, supported by healthy cash flow from operations, adequate unutilised lines of credit, and cash and cash equivalents. The Group has free cash and cash equivalents of ~Rs.19.0 crore, and SMPL, on a standalone basis, has a buffer of ~Rs. 79.8 crore in its working capital facilities as of December 31, 2024, out of the sanctioned fund-based limit of Rs. 135 crore. The average utilisation of its working capital limits stood at ~30% over the last 12 months ending in December 2024. SMPL is likely to incur capital expenditure of ~Rs.30 crore in FY2025, funded by internal accruals and has no term loan repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade SMPL's ratings if the Group demonstrates a healthy growth in its earnings along with an improvement in the liquidity profile on a sustained basis.

Negative factors – ICRA could downgrade the ratings of SMPL if there is a significant decline in revenues or operating profits or if any large debt-funded capex adversely impacts the liquidity position. Specific credit metrics that could lead to ratings downgrade include an interest cover of less than 3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Retail](#)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SMPL. Details of the entities considered for consolidation have been enlisted in Annexure-2.

About the company

SMPL, incorporated in 2008, is a multi-brand retailer of mobile handsets in Karnataka, Tamil Nadu, Andhra Pradesh, Telangana and Goa. It deals with all leading mobile handset brands such as Apple, Samsung, Xiaomi, Sony, Vivo, Oppo, Realme, and OnePlus among others through its retail network of 783 stores (consolidated) across South India. Further, SMPL has diversified into the smart gadgets segment by opening a new showroom at JP Nagar, Bengaluru in January 2025. Mr. Subhash Chandra, the Managing Director, and his family members, own the entire equity stake in SMPL.

Key financial indicators (audited)

SMPL (consolidated)	FY2023	FY2024	9M FY2025*
Operating income	2,216.3	2,407.6	1,936.5
PAT	28.0	19.7	-
OPBDIT/OI	5.0%	4.1%	4.9%
PAT/OI	1.3%	0.8%	-
Total outside liabilities/Tangible net worth (times)	2.0	1.8	-
Total debt/OPBDIT (times)	3.0	3.6	-
Interest coverage (times)	3.7	2.9	-

*Source: Company, ICRA Research; * provisional; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 13, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based - Cash Credit	Long term	0.00	-	Jan 30,2024	[ICRA]A- (Stable)	Mar 29,2023	[ICRA]BBB+(Stable)	Nov 30,2021	[ICRA]BBB+(Stable)
						Dec 22,2022	[ICRA]BBB+(Stable)		
Fund based limits	Long term	85.00	[ICRA]A- (Stable)	-	-	-	-	-	-
Fund based – Others (Channel Financing)	Short term	35.00	[ICRA]A2+	Jan 30,2024	[ICRA]A2+	Mar 29,2023	[ICRA]A2	Nov 30,2021	[ICRA]A2
						Dec 22,2022	[ICRA]A2		

Non-Fund based	Short Term	25.00	[ICRA]A2+	-	-	-	-	-	-
Fund based/Non-Fund based - others	Short Term	20.00	[ICRA]A2+	Jan 30,2024	[ICRA]A2+	Mar 29,2023 Dec 22,2022	[ICRA]A2 [ICRA]A2	Nov 30,2021	[ICRA]A2
Interchangeable Limits	Short Term	0.00	-	-	-	-	-	Nov 30,2021	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based limits	Simple
Short term – Fund based limits	Simple
Short term – Non fund based limits	Very Simple
Short term – Fund based/Non fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based limits	NA	NA	NA	85.00	[ICRA]A- (Stable)
NA	Fund based – Others (Channel Financing)	NA	NA	NA	35.00	[ICRA]A2+
NA	Non-Fund based	NA	NA	NA	25.00	[ICRA]A2+
NA	Fund based/ Non-Fund based - others	NA	NA	NA	20.00	[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Company name	SMPL ownership	Consolidation approach
Wham Infocomm Private Limited	99.00%	Full consolidation
Anu Distributors India Private limited	99.00%	Full consolidation

Source: SMPL

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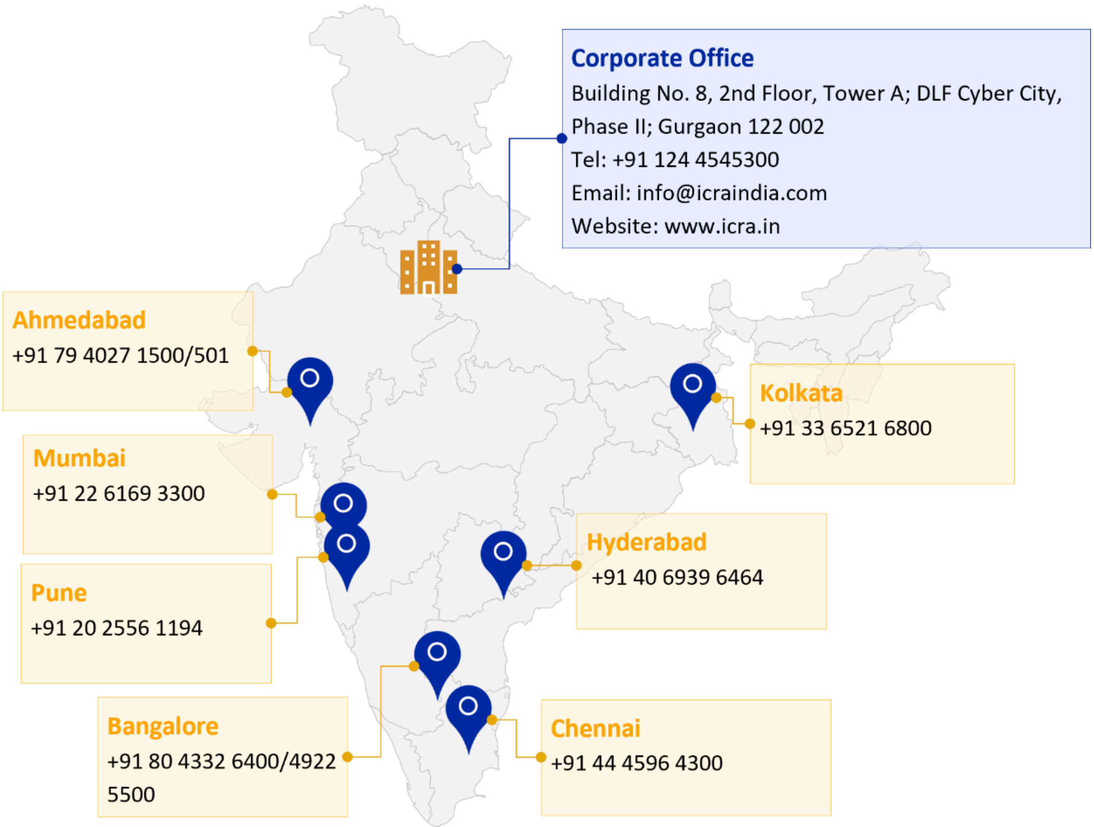

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