

Green Mobiles

September 21, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Working Capital Facilities	335.00	[ICRA]BBB (Stable); Assigned
Unallocated	65.00	[ICRA]BBB (Stable); Assigned
Total	400.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]BBB (pronounced ICRA triple B) to the Rs. 335.0-crore¹ fund-based facilities and Rs. 65.0-crore unallocated facilities of Green Mobiles (GM or the firm)². The outlook on the long-term rating is Stable.

Rationale

The assigned rating takes into account GM's status as one of the leading sellers of mobile phones on Amazon.in and the strategic importance of the mobile phone category to e-commerce platforms like Amazon.in. The rating further derives comfort from the prudent working capital management policies of the firm, which enables it to maintain a lean inventory holding of less than 2 weeks. The inventory risks are further mitigated by procurement planning and warehousing support from Amazon.in, price support from the principals and wholesale suppliers, as well as the diversified portfolio of mobile brands sold. The rating also takes into account the comfortable interest coverage ratio and availability of adequate undrawn bank lines to fund the peak working capital requirements of the firm.

The rating is, however, constrained by modest financial risk profile of the company marked by low profitability and high gearing. The firm earns low gross margins on its sales through Amazon.in and hence ability to limit overheads expenses is critical for maintaining profitability. The ratings are further constrained by the risk of competition from other sellers on the platform or any regulatory changes in the e-commerce space. Nonetheless, the impact would be mitigated to some extent by the low fixed overheads and absence of any long-term borrowings in the books of the company.

Going forward, ability of the company to achieve growth in turnover while maintaining its margins and working capital cycle will be the key rating sensitivity factors.

Outlook: Stable

ICRA believes that GM's credit profile will remain stable, supported by Amazon's established position in the Indian online smartphone retail market, and GM's status as the gold rated seller for Amazon-exclusive smartphones in India.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

Established position of Amazon in the Indian online smartphone retail market where GM is a leading seller – Amazon is one of the leading e-commerce platforms in the online smartphone retail market of India. It enjoys a good brand recall among the Indian consumer space and has been involved in the launch of several successful exclusive smartphone models in the recent past. GM is a gold category seller of mobile phones on Amazon.in and is estimated to be among the three largest sellers on the platform.

Prudent working capital management policies – The company follows prudent working capital management policies, which enables it to maintain a lean inventory holding of less than 2 weeks. The inventory risks are further mitigated by procurement planning and warehousing support from Amazon.in, price support from the principals and wholesale suppliers, as well as the diversified portfolio of mobile brands sold.

Comfortable coverage indicators and adequate undrawn bank lines to fund peak working capital requirements – Notwithstanding the low gross margins, GM's interest coverage ratio is expected to remain comfortable on account of the fast inventory churn. The average bank line utilisation has been moderate for the past twelve months. However, given the moderate seasonality involved in the business, working capital requirements peak during festive seasons sales and flash sales. Nevertheless, presence of adequate undrawn bank lines to fund such peak requirements helps mitigate the risk.

Credit challenges

Modest financial profile characterised by low margins and high gearing – The firm earns low gross margins on its sales through Amazon.in and hence ability to limit overheads expenses is critical for maintaining profitability. The funding requirements for the firm are mainly towards the inventory, for which the company avails a mix of cash credit and purchase discounting facilities, resulting in high gearing of 4.4 times as on March 2018.

Business profile vulnerable to competition or any regulatory changes – There is high competitive intensity in the online mobile phone retailing segment among the various e-commerce platforms; moreover, any entry of new sellers in Amazon.in platform could impact GM's competitive position. GM's business profile could also be impacted if any regulatory changes permit Amazon.in to become a seller directly or limit the scale of operations of GM.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Green Mobiles, is a partnership firm, engaged in business of trading of mobile phones by operating as a third-party online seller for Amazon.in. Established in 2012, Green Mobiles started operations as a distributor for electronic goods in the off-line channel in Bangalore. With the advent of e-commerce, the company shifted operations in favour of being an online seller through various platforms. Some of the popular smartphone brands sold under the company's operations are One Plus, Moto, Redmi, Honor, 10.Or and InFocus . It is currently an exclusive seller on Amazon.in and operates through eighteen Amazon fulfillments centres, situated across 12 states.

Key financial indicators

	FY2017 (audited)	FY2018 (provisional)
Operating Income (Rs. crore)	1890.4	3745.7
PAT (Rs. crore)	12.5	15.6
OPBDIT/OI (%)	1.3%	1.0%
RoCE (%)	36%	23%
Total Debt/TNW (times)	2.9	4.4
Total Debt/OPBDIT (times)	3.0	4.6
Interest coverage (times)	7.4	3.1

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating September 2018	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Cash Credit	Long Term	335.0	-	[ICRA]BBB (Stable)	-	-	-
2 Unallocated	Long Term	65.0	-	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	335.0	[ICRA]BBB (Stable)
NA	Unallocated	NA	NA	-	65.0	[ICRA]BBB (Stable)

Source: Green Mobiles

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