



Press Release

Mitsumi Distribution FZCO

January 23, 2021

Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Issuer Rating	N.A	IVR A [Is] / Stable Outlook (IVR Single A [Is] with Stable Outlook)	Assigned

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from Strong Market position and healthy geographical footprint in the IT Products & Services Distribution Business, Long track record of operations and experienced management, Diversified Product Segments, Strong product mix and association with Global brands, Favourable Impact of COVID-19 pandemic on the IT Distribution Business, and Increasing scale of operations and Healthy financial profile. However, these strengths are, partially offset by Thin operating margins due to trading nature of business and highly competitive market conditions and Highly competitive nature of the Industry.

Key Rating Sensitivities

Upward rating factor(s) – Sustained & Significant improvement in revenue & profitability margins leading to improvement in the debt protection parameters may lead to a positive rating action.

Downward rating factor(s) – Any deterioration in revenue and/or profitability margin leading to deterioration in debt coverage indicators may lead to a negative rating action.

Key Rating Drivers with detailed description

Key Rating Strengths



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Strong Market position and healthy geographical footprint in the IT Products & Services Distribution Business

Mitsumi Distribution FZCO has over the years, built a strong market presence globally with 10 warehouses and 8 service centres in regions such as Most of Middle East and UAE, African countries such as Kenya, Ghana, Nigeria, Tanzania and Ethiopia, and Asian countries such as Jordan along with USA. The company holds a strong market position in these regions and has been a leading brand in Africa since the last 5 years.

Long track record of operations and experienced management

Mitsumi Distribution FZCO being in business for almost two decades, has built strong relationships with its vendors & customers and established a strong position in the market. Mr. Jagat Shah is the CEO of the company and Mr. Mitesh Shah is the Managing Director of the company. Both have more than 20 years of relevant industry experience. They are backed with a well-qualified and experienced management team, most of who are old veterans of the distribution business since inception.

Diversified Product Segments, Strong product mix and association with Global brands

The company deals in distribution of Computer Equipment, Electronic Equipment and Software & Solutions, diversifying the company's revenue stream. This also helps the company to offer wide range of products to its channel partners and project itself as a one stop shop for all its customers. The company has business relations with more than 30 global brands and has successfully maintained strong vendor profile with the most reputed IT vendors across the globe such as HP, Dell, Canon, Microsoft, Samsung, Oppo and Huawei amongst many others.

Favourable Impact of COVID-19 pandemic on the IT Distribution Business

The adverse impact of COVID-19 pandemic was seen on the business in the initial months of April and May of FY20. However, the company saw a surge in demand for IT Products and Services in June, 2020 onwards. The main reason for such a significant rise was that the COVID – 19 pandemic made a favourable impact for the companies in the IT Distribution Industry. The company saw an unnatural spike in Q2FY21 sales owing to global work from home culture, resulting in increased investment in IT products and services across all the



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working segments of the society. This has led to the company to achieve ~82% of its projected sales in 9 Months of FY21. Further, the company has been increasing its cloud based data services in order to leverage on the opportunity and optimize its scale of operations.

Increasing scale of operations and Healthy financial profile

The company registered a surge in its total operating income from INR 2385.45 crore in FY18 to INR 2734.01 crore in FY19 and further to INR 3359.07 crore in FY20. This was mainly due to growing brand value reach, leading to huge inflow of repeated orders and overall business growth.

The interest coverage ratio as on March 31, 2020, was 4.11x. The long term debt to equity has been 0.11x as on account closing day of FY20. The TOL by Net Adjusted Tangible Networth was at 0.89x as on fiscal FY20. The overall gearing ratio of the company has been 0.49x as on March 31, 2020. The debt parameters of the company are favourable and indicate the healthy financial profile of the company.

Key Rating Weaknesses

Thin operating margins due to trading nature of business and highly competitive market conditions

Due to low value additive nature of the IT distribution business, the profitability of the company continues to remain thin. However, there has been stable increase in the profitability of the company with EBITDA margins at 3.60% in FY20 (PY: 3.32% in FY19) and PBT margin at 2.87% in FY20 (PY: 2.85% in FY19).

Highly competitive nature of the Industry

The market has well established players such as Mitsumi Distribution FZCO, however in challenging times, it faces strong competition from a few of its competitors leading to loss of business. Nevertheless, the company has a strong relationship with its vendors and is always furnished with back to back orders from its customers.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Trading Entities



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Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The company has been able to generate a comfortable level of gross cash accruals (GCA) in FY20. The company maintains sufficient cash and bank balance to meet its liquidity requirements. The liquidity of the company is expected to remain satisfactory in the near to medium term in absence of any significant term debt repayment. The average closing month end bank limit utilisation for the last 12 months ended; December 2020 was moderate at 50.71%. Thus, the overall liquidity position of the company is **Adequate**.

About the Company

MITSUMI Distribution FZCO was formed in Dubai, United Arab Emirates in the year 2003 by Mr. Jagat Shah, CEO and Mr. Mitesh Shah, Managing Director of the company. The company provides a wide range of supply chain solutions for all categories of Information Technology products such as PCs, PC building blocks, networking, software & enterprise solution products and Consumer and Lifestyle products such as Telecom, Entertainment products & Digital Printing Machines for the leading brands in the market. The company has its footprints in Most of Middle East & UAE and African countries.

Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2019#	31-03-2020#
	(Audited)	(Audited)
Total Operating Income	2734.01	3359.07
EBITDA	90.85	120.81
PAT	78.26	96.62
Total Debt	371.07	391.21
Tangible Net worth	693.08	832.60
EBIDTA Margin (%)	3.32	3.60
PAT Margin (%)	2.85	2.87
Overall Gearing Ratio (x)	0.56	0.49

*Classification as per Infomerics' standards

#The given figures have been arrived at by converting AED to INR at the following exchange rates:



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For Profit & Loss Items: Average Exchange rate of 1 AED= INR 17.535 for FY18, 1 AED= INR 19.012 for FY19 and 1 AED= INR 19.307 for FY20.

For Balance Sheet Items: Exchange rate of 1 AED= INR 17.674 as on 31st March, 2018, 1 AED= INR 18.870 as on 31st March, 2019 and 1 AED= INR 20.440 as on 31st March, 2020.

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Issuer Rating	NA	NA	IVR A [Is]/ Stable	--	--	--

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 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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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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Issuer Rating	--	--	--	--	IVR A [Is] / Stable