

G.M Punjabi & Co. Ltd
11 August 2023

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bank Facilities (short-term)	340	CARE MAU A2 [A two]	Assigned

Ratings Rationale

The rating assigned to the bank facilities (short-term) of G.M Punjabi & Co. Ltd derives strength from the experienced and resourceful promoters, established presence of the company across the commerce and retail sector in Mauritius, the exclusivity in distribution of Hisense products across the country, the wide portfolio of 600 clients, the growing demand of consumer electronics, and stable operational and financial performance of the company. The rating also takes into consideration the strong presence of Hisense and INGCO brands in the Mauritian market and the improving operating cycle.

The rating is, however, constrained by the volatility in revenue highly correlated to consumer demand and the economy, stiff competition in the retail and distribution market, long collection period, client concentration with counter party risk, foreign exchange risk and market risk associated with import business and interest rate risk.

Rating Sensitivities

Positive factors that could, individually or collectively, lead to positive rating action / upgrade:

- Effective working-capital management with collection period improving in a sustainable manner
- Consistent demand in the local market which in turn will contribute to the scaling up and steady profitability.
- Ability to introduce more brands and new products

Negative factors that could, individually or collectively, lead to negative rating action / downgrade:

- Additional debt at the company level over and above the envisaged level
- Significant decline in consumer demand
- Non-renewal of agreements with supplier for the key brands or loss of major clients

BACKGROUND

Incorporated in June 1989, G.M Punjabi & Co. Ltd ("**G.M Punjabi**"), is a private limited (family-run) company which was founded by late Mr. Gopaldas Punjabi in the year 1974. The son of Mr. Gopaldas Punjabi, Mr. Padam Punjabi owns 100% stake in G.M Punjabi.

The core activity of the company consists mainly of importation and distribution of electronic goods, tools & safety equipment, beauty & personal care, and home & appliances. G.M Punjabi was ranked 10th for the commerce sector in Mauritius in 2022 as per Business Magazine. G.M Punjabi derives its income from the wholesale and distribution of a variety of electronics, hardware, home appliances and personal care products. The main brands include Hisense, INGCO, Mikachi, Rockford, to name a few.

¹Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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G.M Punjabi & Co. Ltd has the exclusive rights on the import and distribution of Hisense brand in Mauritius which is a leading electronic brand in China. The company also operates one small retail shop located within the head office premises which sells Hisense electrical products and INOCO products. The company's wholesale network covers more than 600 clients.

Group background: Mr. Gopaldas Punjabi moved to Mauritius from India in the 1950s. It started business with a shop named Bombay Store in Vacoas which dealt in textiles. After 30 years of entrepreneurship, the former owner of the company, Mr. Gopaldas Punjabi, handed over the business to his sons, Mr. Padam Punjabi, and Mr. Pravin Punjabi. The successors of Mr. Gopaldas started to import textile from India for wholesale and retail to the local Mauritian market. Further expansion of the business happened when Mr. Padam Punjabi started to import of sundry items and small household appliances from South Africa, China, Hong Kong, Indonesia, and Taiwan. In 2008, the company obtained the exclusive rights for the importation and distribution of the Hisense brand in Mauritius. Hisense Electronics is a multinational electronics manufacturer headquartered in China. G.M Punjabi continued its business expansion to cater for the growing market segment demands, for instance, smart phones, beauty & personal care, and handheld tools and equipment.

Management: G.M Punjabi is a professionally managed entity with more than 100 employees. The strategic affairs of the company are overseen by the managing director, Mr. Padam Prakash Punjabi. With his acquainted knowledge and experience in the retail and commerce sector, Mr. Padam Punjabi contributed to the growth, expansion and is behind the diversification of G.M Punjabi. Mrs. Sarojini Punjabi, spouse of Mr. Padam Punjabi, was appointed as director in 2005. She has over 15 years of experience in the directorship and audit field.

Performance in FY22: In FY22, G.M Punjabi witnessed a notable revenue growth of 43% in FY22 mainly attributed to the strong presence of INOCO and Hisense in Mauritius contributing each around 53% and 26% of G.M Punjabi's total revenue. EBITDA and PAT were MUR 110 million and MUR 76 million respectively. GCA was comfortable at MUR 80 million. G.M Punjabi does not have any long-term borrowings. Interest coverage was at 7.69 times and overall gearing ratio fell to 1.45 times (2.19 times in FY21) as at December 31, 2022. In FY22, the operating cycle of G.M Punjabi moderated to 167 days (173 days for FY21).

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Annexure I**Rating Symbols****Short term Instruments**

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.

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CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.

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