G.M. Punjabi & Co Ltd

04 November 2024

Rating

Instrument/Facilities	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facilities – Short term	**MUR 340 million**	**CARE MAU A2**	Reaffirmed

Rating Rationale

The rating assigned to the bank facilities (short-term) of G.M. Punjabi & Co Ltd continue to derive 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 more than 700 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.

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 leading to increase in gearing level over 2x affecting the ability to service obligations.
- 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 8th for the commerce sector in Mauritius in 2023 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.

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

It has the exclusive rights on the import and distribution of Hisense brand in Mauritius which is a leading electronic brand in China. Its wholesale network covers more than 700 clients. The company also operates one small retail shop located within the head office premises which sells Hisense electronic products and INGCO products.

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.

Financial Performance in FY23

G.M. Punjabi & Co Ltd derives its revenue mainly from import and distribution of Home & Appliances, Tools & Equipment, and Beauty & Personal Care products to local retailers. It also operates a small shop where it sells Hisense and INGCO products directly to customers. In FY23, G.M Punjabi posted a revenue of MUR 932 million against MUR 876 million in FY22, representing a year-over-year growth of 6% driven mainly by an increased in the revenue derived from Hisense products. The company witnessed a growth of 6% in total income from MUR 888 million in FY22 to MUR 944 million in FY23. EBITDA decreased by 12% to MUR 103 million in FY23 from MUR 117 million in FY22, primarily because the depreciation of the Mauritian Rupee resulted in a foreign exchange loss of MUR 13 million in FY23, and higher rental expense incurred during the year. Accordingly, PAT was also lower at MUR 52 million in FY23 from MUR 76 million in FY22 which was also hindered by an increase in interest costs. GCA was MUR 59 million and no dividend was declared for the year. Total debt amounted to MUR 278 million, Interest coverage ratio was 4.83 times and overall gearing improved to 1.23 times as on June 30, 2023 (June 30, 2022 - 1.45 times). The company had an operating cycle of 194 days as of June 30, 2023.

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Annexure II

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.

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

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