

Press Release

Janatha Motors

August 09, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (read as SMERA B)' on the Rs. 6.00 crore bank facilities of Janatha Motors. The outlook is '**Stable**'.

Janatha Motors (JM), a proprietorship concern was established in 2010 by Mr. V. Sanjai. The firm is an authorised dealer of TVS two wheelers. The firm deals in motor cycles, mopeds, scooters and also sells spares in Thiruvannamalai district.

Key Rating Drivers

Strengths

- **Authorised dealer of TVS Motor Company**

The firm has been the authorised dealer of TVS Motors since 2010 for Thiruvannamalai district.

Weaknesses

- **Modest scale of operations**

The firm has modest scale of operations with revenue of around Rs.21.11 crore in FY2017 (Provisional) as against Rs.18.01 crore in FY2016. The firm faces intense competition from dealers of other automobile companies such as Hero Motocorp Limited, Honda Motorcycle and Scooter India Private Limited, Bajaj Auto Limited, Yamaha Motor India Sales Private Limited, Suzuki India. The principal, TVS Motor Company enjoys a market share of ~13.96 per cent. Nevertheless, the future operating performance of JM will depend on the ability of TVS to gain further market share in India.

- **Weak financial risk profile**

The firm has low networth of Rs.1.91 crore as on 31 March, 2017 (Provisional) as against Rs.1.57 crore as on 31 March, 2016. The total debt stood at Rs.6.40 crore as on 31 March, 2017 (Provisional) which increased from Rs.3.77 crore as on 31 March, 2016 mainly on account of high working capital utilisation. High debt and low networth has resulted in high gearing of 3.35 times as on 31 March, 2017 (Provisional) as against 2.40 times in the previous year. The firm has investment of Rs.1.88 crore in FY2017 (Provisional) (around ~98 per cent of the networth) in its group concern, Ayon Global Education Services Private Limited. The interest coverage stands low at 1.39 times in FY2017 (Provisional) as against 1.06 times in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Outlook: Stable

SMERA believes that JM will maintain a stable outlook over the medium term owing to its association with TVS Motor Company. The outlook may be revised to 'Positive' in case of significantly higher than expected growth with increasing profitability. Conversely, the outlook may be revised to 'Negative' in

case of challenges in maintaining revenue growth or deterioration in the financial risk profile on account of fall in margins or build up in inventory levels.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), JM reported net profit of Rs.0.20 crore on operating income of Rs.21.11 crore, compared to net profit of Rs.0.17 crore on operating income of Rs.18.01 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B / Stable

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ABOUT SMERA

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