



SMERA RATINGS LIMITED

Siwan Tractors Private Limited (STPL)

Rating Rationale

March 17, 2015

| Facilities | Amount (Rs. Crore) | Rating |
|--------------------------|-----------------------|-----------------------------|
| Cash Credit (Stock) | 15.00 | SMERA BB+/Stable (Assigned) |
| Cash Credit (Book Debts) | 5.00 | SMERA BB+/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.20.00 crore long-term (fund based) bank facilities of Siwan Tractors Private Limited. The outlook is '**Stable**'. The rating is supported by the company's experienced management and established association with principals. The rating is also supported by the company's moderate financial risk profile and comfortable working capital cycle. However, the rating is constrained by the company's exposure to intense competition in the automobile dealership business.

STPL was established as a proprietorship concern in 1982. The firm was later converted into a private limited company in 2005. STPL is a Siwan-based authorized dealer of tractors (manufactured by Escorts Ltd.) and passenger and light commercial vehicles (manufactured by Mahindra & Mahindra Limited). STPL benefits from its experienced management. Mr. S. Alam, director of STPL, has around 30 years of experience in the automobile dealership business. STPL also benefits from its long-standing association with Escorts Limited and Mahindra & Mahindra Limited.

STPL's moderate financial risk profile is reflected in leverage (debt-equity ratio) of 2.18 times as on March 31, 2014 and interest coverage ratio of 2.19 times in FY2013-14 (refers to financial year, April 01 to March 31). The company has a comfortable liquidity position with working capital cycle of 45 days and gross current assets of 68 days in FY2013-14.

STPL faces intense competition from several dealers of other automobile companies such as Maruti, Skoda and Honda.

Outlook: Stable

SMERA believes STPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

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About the company

STPL, incorporated in 2005, is a Siwan-based authorized dealer of passenger and light commercial vehicles (manufactured by Mahindra & Mahindra Limited) and tractors (manufactured by Escorts Ltd.). STPL has dealership rights for Siwan and Gopalganj districts of Bihar.

For FY2013-14, STPL reported profit after tax (PAT) of Rs.1.46 crore on operating income of Rs.189.11 crore, as compared with PAT of Rs.1.02 crore on operating income of Rs.134.68 crore in FY2012-13. The company registered operating income of Rs.134.00 crore (provisional) during April 2014 to December 2015. STPL's net worth stood at Rs.7.92 crore as on March 31, 2014, as compared with Rs.4.96 crore a year earlier.

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