

Siwan Tractors Private Limited: Reaffirmed

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Cash Credit (Stock)	15.00	SMERA BB+ /Stable (Reaffirmed)
Cash Credit (Book Debts)	5.00	SMERA BB+ /Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating on the Rs.20.00 crore bank facilities of Siwan Tractors Private Limited (STPL) to **'SMERA BB+' (read as SMERA double B plus)**. The outlook is **'Stable'**. The rating continues to be supported by the extensive experience of its promoters in the automobile dealership segment and established association with vendors and suppliers. The rating also draws support from the moderate financial risk profile, absence of long term debt and comfortable working capital cycle. However, the rating is constrained by the decline in revenue, moderate gearing and high liquidity profile (95 per cent bank limit utilised for the period October 2015 to March 2016). STPL is also exposed to intense competition in the automobile industry.

STPL has achieved operating income of Rs.178.00 crore in FY2015-16 (Provisional) a decline from Rs.179.63 crore in FY2014-15. The company reported PAT of Rs.1.45 crore in FY14-15 against Rs.1.46 crore in FY13-14. The company's moderate financial risk profile is marked by healthy scale of operations with revenue of Rs.179.63 crore, moderate gearing (debt-to-equity) of 2.94 times as on March 31, 2015 and high liquidity profile (95.00 per cent bank limit utilised of cash credit limit during the period October 2015 to March 2016). Moreover, the interest coverage ratio stood at 1.93 times in FY2014-15. The company registered PAT margin of 0.81 per cent in FY2014-15 as against 0.78 per cent in FY2013-14. STPL operates in an intensely competitive segment of the automobile dealership industry.

The company benefits from its experienced management. Mr. S Alam, Director, possesses over three decades of experience in auto dealership in Siwan and Gopalganj regions.

Outlook- Stable

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

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

STPL, established in 1982 is an authorised dealer of passenger and light commercial vehicles of Mahindra & Mahindra Limited. The company is also a distributor and dealer of tractors of Escorts Ltd, at Siwan and Gopalganj (Bihar).

For FY2014–15, the company reported profit after tax (PAT) of Rs.1.45 crore on operating income of Rs.179.63 crore, as compared with profit after tax (PAT) of Rs.1.46 crore on operating income of Rs.188.22 crore in FY2013–14. The net worth stood at Rs.9.37 crore as on March 31, 2015 against Rs.7.92 crore a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating/Outlook
			Long Term	Short Term	
17 March , 2015	Cash Credit (Stock)	15.00	SMERA BB+	-	Stable
	Cash Credit (Book Debts)	5.00	SMERA BB+	-	Stable

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ABOUT SMERA

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