

Press Release

Siwan Tractors Private Limited (STPL)

May 15, 2017

Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr (Enhanced from Rs.20.00 crore)
Long Term Rating	SMERA BB+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.20.00 cr bank facilities of Siwan Tractors Private Limited (STPL) and assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.5.00 cr facilities. The outlook is '**Stable**'.

Siwan Tractors Private Limited (STPL), was established as a proprietorship concern in 1982, and reconstituted as a private limited company in 2005. STPL is an authorised dealer of passenger and light commercial vehicles of Mahindra & Mahindra and the sole distributor of tractors of Escorts Ltd at Siwan and Gopalganj, in Bihar.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: STPL benefits from its experienced management. Mr. S Alam, Director, has around 30 years of experience in the automobile dealership segment and has been able to establish healthy relations with original equipment manufacturers (OEMs).

Moderate financial risk profile: The rating draws comfort from the prudent interest coverage of the company which stood at 1.77 times in FY2016 as against 1.41 times in FY2015. The increase in interest coverage is primarily attributable to the improvement in operating profitability of the STPL. The gearing (debt-to-equity) stood at 2.41 times as on 31 March, 2016 against 2.94 times in the previous year. The networth stood at Rs.10.22 cr as on March 31, 2016 against Rs.9.38 cr a year earlier. The net cash accrual (NCA)/ Total debt (TD) stood at 0.06 times in FY2015-16. Further, STPL reported modest debt service coverage ratio (DSCR) of 1.55 times in FY2016 (1.65 times in FY2015). SMERA believes that STPL's ability to maintain its operating profit margins and improve its gearing shall be instrumental in improving its overall credit risk profile.

Efficient working capital management: The gross current asset (GCA) days stood at 91 in FY2015-16 against 89 in FY2014-15. The working capital cycle improved from 64 days in FY2014-15 to 57 days in FY2015-16. The comfortable GCA emanates from the inventory days of 47, debtor days of 30 and creditor days of 19 for FY2016.

Authorised distributor: STPL has authorised dealership of passenger and light commercial vehicles of Mahindra & Mahindra. The company is the sole distributor and dealer of tractors of Escorts Ltd at Siwan and Gopalganj.

Weaknesses:

Declining revenue: The revenue declined to Rs. 169.17 cr in FY2015-16 against Rs.179.63 cr in FY2014-15. The company sold Mahindra & Mahindra vehicles in Bihar and Uttar Pradesh till FY2014-15. From FY2015-16 onwards, the company decide to cater only to Siwan, Bihar.

Intense competition: The company faces intense competition from various other automobile dealers in India which is likely to impact operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

SMERA believes that STPL will maintain a stable outlook 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 financial risk profile.

About the Rated Entity

Siwan Tractors Private Limited (STPL), was established as a proprietorship concern in 1982, and reconstituted as a private limited company in 2005. The company is an authorised dealer of passenger and light commercial vehicles of Mahindra & Mahindra and sole distributor of tractors of Escorts Ltd at Siwan and Gopalganj (Bihar).

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.10 cr on operating income of Rs.169.17 cr, as compared with PAT of Rs.1.45 cr on operating income of Rs.179.63 cr in FY2014-15. The net worth stood at Rs.10.22 cr as on March 31, 2016 against Rs.9.38 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017					FY2016		FY2015		FY2014	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit (Stock)	LT	15.00	SMERA BB+ /Stable (Reaffirmed)	June 11, 2016	SMERA BB+ /Stable (Reaffirmed)	March 17, 2015	SMERA BB+ /Stable (Assigned)	-	-	-	-
Cash Credit (Book Debts)	LT	5.00	SMERA BB+ /Stable (Reaffirmed)	June 11, 2016	SMERA BB+ /Stable (Reaffirmed)	March 17, 2015	SMERA BB+ /Stable (Assigned)	-	-	-	-
FBWC (e-DFS)	LT	3.00	SMERA BB+ /Stable (Assigned)	-	-	-	-	-	-	-	-
Stand by line of Credit	LT	2.00	SMERA BB+ /Stable (Assigned)	-	-	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit (Stock)	N.A	N.A	N.A	15.00	SMERA BB+ /Stable (Reaffirmed)
Cash Credit (Book Debts)	N.A	N.A	N.A	5.00	SMERA BB+ /Stable (Reaffirmed)
FBWC (e-DFS)	N.A	N.A	N.A	3.00	SMERA BB+ /Stable (Assigned)
Stand by line of Credit	N.A	N.A	N.A	2.00	SMERA BB+ /Stable (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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