

Durgamba Motors: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Overdraft	2.25	SMERA B/Stable (Reaffirmed)
Auto Loan	14.68 (Revised from 12.75)	SMERA B/Stable (Reaffirmed)
Proposed Auto Loan	8.07	SMERA B/Stable (Assigned)

SMERA has reaffirmed the rating of '**SMERA B' (read as SMERA B)** on the Rs.16.93 crore bank facilities of Durgamba Motors (DM). SMERA has also assigned rating of '**SMERA B' (read as SMERA B)** to the Rs.8.07 crore facility. The outlook is '**Stable**'.

The rating continues to draw comfort from the experienced management, established operational track record and improving operating profit margins. However, the rating is constrained by the uneven operating income over the years, below average financial risk profile and intense market competition.

Durgamba Motors is headed by Mr. Sadananda Chatra and Mr. Krishnananda Chatra who possess extensive experience in the transportation business. The operating margins increased during the period FY2014-15 to FY2015-16 on account of lower fuel prices. As per FY2015-16 (provisional) figures, EBITDA margin stood at 15.05 per cent as compared to 10.82 per cent in FY2014-15. As per FY2015-16 (Provisionals), net profit margins stood at 1.87 per cent as against (3.79) per cent in FY2014-15.

DM's operating income shows an uneven trend. As per FY2015-16 (Provisionals), operating income stood at Rs.38.59 crore as compared to Rs.31.10 crore in FY2014-15. The financial risk profile is below average marked by low net worth of Rs.2.40 crore as on 31 March 2016 (Provisionals). The gearing stood at 6.53 times (Provisionals) as on 31 March 2016 as compared to 8.72 times in the previous year. The cash accruals are tightly matched with repayment obligations as reflected in the interest coverage ratio of 1.74 times and DSCR of 0.68 times as on March 31, 2015.

DM operates in a highly competitive and fragmented transportation industry.

Rating Sensitivity Factors

- Scaling up operations and maintaining healthy margin
- Change in the capital structure
- Efficient working capital management

Outlook-Stable

SMERA believes that DM will maintain a stable outlook in the medium term and continue to benefit from its established presence in the transportation industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Firm

Durgamba Motors (DM) established in 1975, is a Karnataka-based firm, engaged in the passenger transportation business. The operations are managed by Mr. Sadananda Chatra and Mr. Krishnananda Chatra, partners for more than four decades.

As per FY2015-16 (Provisionals), the firm registered net profit after tax (PAT) of Rs.0.72 crore on operating income of Rs.38.59 crore as against net loss of Rs.1.18 crore on operating income of Rs.31.10 crore in FY2014-15.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
06 August, 2015	Overdraft	2.25	SMERA B (Assigned)	-	Stable
	Auto Loan	12.75	SMERA B (Assigned)	-	Stable

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ABOUT SMERA

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