

Press Release

Durgamba Motors (DM)

28 December, 2017



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA B+/Stable (Upgraded from SMERA B/Stable)

*Refer annexure for details

SMERA has upgraded the long term rating on the Rs. 14.13 crore bank facilities of Durgamba Motors (DM) to '**SMERA B+** (read as SMERA B plus)' from '**SMERA B**' (read as SMERA B). Further, SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus)' on the Rs. 10.87 crore bank facilities. The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenue and profitability margins of the firm. SMERA believes that going ahead the firm will sustain its growth in revenue and profitability margins over the medium term.

Key rating drivers

Strengths

Established operational track record and experienced management

The promoters, Mr. Sadananda Chatra and Mr. Krishnananda Chatra have more than three decades of experience in the passenger transportation business.

Healthy working capital cycle

DM has a healthy working capital cycle marked by Gross Current Assets (GCA) of 50 days in FY2017 compared to 64 days in FY2016. The GCA days are mainly dominated by debtor days of 47 days in FY2017 compared to 58 days in FY2016. The average cash credit utilisation for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

Below average financial risk profile

DM has below average financial risk profile marked by tangible net worth of Rs. 1.42 crore as on 31 March, 2017 (Provisional) as against Rs. 1.39 crore as on 31 March, 2016. The gearing stood high at 12.25x times as on 31 March, 2017 (Provisional) as against 13.52x times as on 31 March, 2016. The debt of Rs. 17.42 crore mainly consists of vehicle term loans of Rs. 15.18 crore and working capital borrowings of Rs. 2.24 crore as on 31 March 2017 (Provisional). The Interest Coverage Ratio (ICR) stood at 2.62x times for FY2017 (Provisional) as against 2.55x times in FY2016. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 13.27x times as

on 31 March, 2017 (Provisional) as against 14.25x times in FY2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.22x times as on 31 March, 2017 (Provisional) as against 0.17x times in FY2016. The financial risk profile is expected to improve in the near to medium term on account of addition of capital by promoters and repayment of existing term loans.

Exposure to volatility in diesel prices

The firm is exposed to fluctuations in fuel (diesel) prices that can affect total operating expenses.

Competitive and fragmented industry

DM operates in a highly competitive and fragmented passenger transportation industry characterised by a large number of organised and unorganised players.

Risk of capital withdrawal

The profit margins are susceptible to risk of capital withdrawal considering its partnership constitution.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of DM to arrive at the rating.

Outlook - Stable

SMERA believes that DM will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	61.73	54.93	31.10
EBITDA	Rs. Cr.	6.12	4.94	3.37
PAT	Rs. Cr.	(0.34)	(0.38)	(1.18)
EBITDA Margin	(%)	9.91	8.99	10.82
PAT Margin	(%)	(0.54)	(0.69)	(3.79)
ROCE	(%)	10.25	8.69	4.54
Total Debt/Tangible Net Worth	Times	12.25	13.52	8.72
PBDIT/Interest	Times	2.62	2.55	1.74
Total Debt/PBDIT	Times	2.85	3.79	4.83
Gross Current Assets (Days)	Days	50	64	120

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in service sector: <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Sep-2016	Secured Overdraft	Long Term	2.25	SMERA B/ Stable (Reaffirmed)
	Auto Loan	Long Term	14.68	SMERA B/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	8.07	SMERA B/ Stable (Assigned)
06-Aug-2015	Secured Overdraft	Long Term	2.25	SMERA B/ Stable (Assigned)
	Auto Loan	Long Term	12.75	SMERA B/ 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	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA B+/ Stable (Upgraded)
Auto Loan	Not Applicable	Not Applicable	Not Applicable	14.68	SMERA B+/ Stable (Upgraded)
Auto Loan	Not Applicable	Not Applicable	Not Applicable	8.07	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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