

Press Release

Jai Kar Techno Private Limited (JKTPL)

February 18, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.13.80 Cr
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.11.94 crore bank facilities. SMERA has also assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.1.70 crore bank facility of Jai Kar Techno Private Limited (JKTPL). The outlook is '**Stable**'.

SMERA has also withdrawn the rating of SMERA BBB-/Stable (read as SMERA triple B minus) with immediate effect on the term loan of Rs.0.16 crore on account of full payment of dues.

The ratings continue to be supported by the company's comfortable financial risk profile and established relationship with Cummins India Limited. The ratings also draw comfort from the experienced management. However, the ratings are constrained by the declining trend in the operating margins.

JKTPL was incorporated in April 2010 by Mr. Rajindra Chahal and family. The company is an authorised dealer of Cummins India Limited (CIL) and provides sales and service support for Cummins products.

List of key rating drivers and their detailed description

Strengths:

Comfortable financial risk profile: The total outside liability to tangible net worth ratio continues to remain moderate at around 1.65 times as on 31 March, 2016. The net worth stood moderate at Rs.12.81 crore as on March 31, 2016. Moreover, the debt protection metric stood comfortable with interest coverage ratio at 2.97 times and Net Cash Accrual to Total Debt ratio of 0.27 times in FY2016.

Experienced management: JKTP, a family run business, is headed by Mr. Rajindra Singh Chahal, director who possesses experience of over three decades in the dealership business.

Established relationship with Cummins India Limited: The company has been an authorised dealer of Cummins India Limited since 1981 for engines and other products with presence in Jharkhand, Bihar, Odisha, Madhya Pradesh, Uttar Pradesh, Haryana and Punjab across 98 districts. By virtue of this long standing relationship, it has developed strong ties with its OEM.

Weaknesses:

Declining trend in operating margins: The operating margins have registered a declining trend ie. from 5.82 per cent in FY2014 to 4.84 per cent in FY2016 owing to low bargaining power with the supplier - Cummins India Limited.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that JKTPL will continue to maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' if the company scales up its operations while improving profitability and maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and deterioration of profit margins or the capital structure.

About the Rated Entity

JKTPL was incorporated in April 2010 by Mr. Rajindra Chahal and family. The company commenced operations in 2011 after taking over the business of two of its associate concerns, JK Diesels and Prime Power Services. In FY2014-15, the company also merged its group entity, Jas Kar Techno Private Limited.

The company is an authorised dealer of Cummins India Limited (CIL) and provides sales and service support for Cummins products ie. various types of engines and its spare parts. The company is also an authorised distributor of Valvoline Cummins Limited where it sells engine oils and industrial oils.

The day-to-day operations are managed by Mr. Kuldeep S. Chahal, Mr. Rajindra S. Chahal, Mr. Amrinder S. Chahal and Mr. Jaspinder S. Chahal.

For FY2015-16, JKTPL reported profit after tax (PAT) of Rs.1.59 crore on operating income of Rs.100.84 crore, as compared to PAT of Rs.1.09 crore on operating income of Rs.74.63 crore in FY2014-15.

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	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.00	SMERA BBB-/Stable (Reaffirmed)	19 Jan, 2016	SMERA BBB-/Stable (Assigned))	-	-	-	-
Term Loan	LT	0.16	SMERA BBB-/Stable (Withdrawn)	19 Jan, 2016	SMERA BBB-/Stable (Assigned)	-	-	-	-
Working Capital Demand Loan (WCDL)	LT	0.54 (reduced from Rs.2.44 crore)	SMERA BBB-/Stable (Reaffirmed)	19 Jan, 2016	SMERA BBB-/Stable (Assigned)	-	-	-	-
Stand By Line of Credit	ST	0.45 (enhanced from Rs.0.25 crore)	SMERA A3 (Reaffirmed)	19 Jan, 2016	SMERA A3 (Assigned)	-	-	-	-
e-DFS (Cummins India Limited)	ST	5.00	SMERA A3 (Reaffirmed)	19 Jan, 2016	SMERA A3 (Assigned)	-	-	-	-
e-DFS (Valvoline)	ST	1.00	SMERA A3 (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.95	SMERA A3 (Reaffirmed)	19 Jan, 2016	SMERA A3 (Assigned)	-	-	-	-
Proposed Fund Based Facility	LT	0.70	SMERA BBB-/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	NA	NA	NA	3.00	SMERA BBB-/Stable (Reaffirmed)
Term Loan	NA	NA	NA	0.16	SMERA BBB-/Stable (Withdrawn)
Working Capital Demand Loan (WCDL)	NA	NA	NA	0.54 (reduced from Rs.2.44 crore)	SMERA BBB-/Stable (Reaffirmed)
Stand By Line of Credit	NA	NA	NA	0.45 (enhanced from Rs.0.25 crore)	SMERA A3 (Reaffirmed)
e-DFS (Cummins India Limited)	NA	NA	NA	5.00	SMERA A3 (Reaffirmed)
e-DFS (Valvoline)	NA	NA	NA	1.00	SMERA A3 (Assigned)
Bank Guarantee	NA	NA	NA	2.95	SMERA A3 (Reaffirmed)
Proposed Fund Based Facility	NA	NA	NA	0.70	SMERA BBB-/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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