

Press release

JAI KAR TECHNO PRIVATE LIMITED

April 03, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.80 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as A three**) to the Rs. 13.80 crore bank facilities of Jai Kar Techno Private Limited (JKTPL). The outlook is '**Stable**'.

JKTPL, was incorporated in 2010 as a private limited company by Mr. Rajindra Chahal. The company is an authorized dealer of Cummins India Limited (CIL) and provides sales & service support for Cummins products.

Key Rating Drivers**Strengths****Experienced management**

JKTPL is a business managed by Mr. Rajindra Singh Chahal and his family. Mr. Rajindra Chahal, Director, has an experience of more than three decades in engine dealership business. The day to day affairs of the company are looked after by Mr. Kuldeep S. Chahal, Mr. Rajindra S. Chahal, Mr. Amrinder S. Chahal and Mr. Jaspinder S. Chahal who are incharge of the various functional areas.

Comfortable financial risk profile

The tangible net worth of the company increased to Rs. 14.41 crore as on 31 March, 2017 from Rs. 12.81 crore as on 31 March, 2016. The debt-to-equity ratio stood at 0.77 times as on 31 March, 2017 as against 0.80 times as on 31 March, 2016. The total debt of Rs. 11.10 crore comprises long term loans of Rs. 0.38 crore and short term working capital borrowings of Rs. 10.72 crore as on 31 March, 2017. The Interest coverage ratio (ICR) stood at 4.01 times for FY2017 as against 3.05 times for FY2016. The debt service coverage ratio was comfortable at 3.29 times in FY 2017 (2.66 times in FY 2016).

Established relationship with Cummins India Limited:

The company has been an authorized 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 the OEM.

Weaknesses**Declining trend in margins:**

The operating margins are in a declining trend during the last three years, the EBITA stood at 4.35 percent in FY2017 as against 4.84 percent in FY 2016 and 5.58 percent in FY 2015. The decline is mainly on account of high expenses on account of employee training development. However, JKTP has maintained its PAT margins at 1.57 percent in FY 2017 and 1.58 percent in FY 2016.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of JKTPL.

Outlook: Stable

SMERA believes that JKTPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm scales up its operations while improving its profitability and maintain its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline of revenue and deterioration of profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	103.72	100.84	74.63
EBITDA	Rs. Cr.	4.52	4.88	4.16
PAT	Rs. Cr.	1.63	1.59	1.09
EBITDA Margin	(%)	4.35	4.84	5.58
PAT Margin	(%)	1.57	1.58	1.47
ROCE	(%)	15.14	16.96	13.75
Total Debt/Tangible Net Worth	Times	0.77	0.80	1.09
PBDIT/Interest	Times	4.01	3.05	2.63
Total Debt/PBDIT	Times	2.39	2.04	2.82
Gross Current Assets (Days)	Days	101	90	123

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

Any other information none

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Feb-2017	Cash credit	LT	3.00	SMERA BBB-/Stable (Reaffirmed)
	Term loans	LT	0.16	SMERA BBB-/Stable (Withdrawn)
	Working capital demand loan (WCDL)	LT	0.54 (reduced from 2.44)	SMERA BBB-/Stable (Reaffirmed)
	Stand By Line of Credit	ST	0.45 (enhanced from 0.25)	SMERA A3 (Reaffirmed)

	Inventory Funding	ST	5.00	SMERA A3 (Reaffirmed)
	Inventory Funding	ST	1.00	SMERA A3 (Assigned)
	Bank Guarantee	ST	2.95	SMERA A3 (Reaffirmed)
	Proposed Fund Based Facility	LT	0.70	SMERA BBB-/Stable (Assigned)
19- Jan-2016	Cash credit	LT	3.00	SMERA BBB-/Stable (Assigned)
	Term loans	LT	0.16	SMERA BBB-/Stable (Assigned)
	Working capital demand loan (WCDL)	LT	2.44	SMERA BBB-/Stable (Assigned)
	Stand By Line of Credit	ST	0.25	SMERA A3 (Assigned)
	Inventory Funding	ST	5.00	SMERA A3 (Assigned)
	Bank Guarantee	ST	2.95	SMERA A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB-/Stable (Reaffirmed)
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	0.28	SMERA BBB-/Stable (Reaffirmed)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA A3 (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3 (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.95	SMERA A3 (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA BBB- / Stable (Reaffirmed)

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ABOUT SMERA

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