

Press Release

Sainath Autolinks Private Limited (SAPL)

31 July, 2017



Rating Reaffirmed & Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs.34.00 Cr |
| Long Term Rating | SMERA B/Stable (Reaffirmed) |

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.32.00 crore bank facilities and assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.2.00 crore bank facility of Sainath Autolinks Private Limited (SAPL). The outlook is '**Stable**'.

Sainath Autolinks Private Limited (SAPL) was incorporated on 16 April, 2010 by Mr. Mohan Chawla and Mr. Amarjeet Chawla. The company is engaged in the passenger vehicle business and is an authorised dealer of Maruti Suzuki. The company has three showrooms with workshop facility at Durgapur, Santiniketan and Purulia, West Bengal.

Key Rating Drivers

Strengths:

Modest scale of operations: Despite commercial operations starting in 2010, the scale of business has been modest with revenue of Rs.84.27 crore in FY2016, an increase from Rs.79.50 crore in the previous year. As informed by the management, the company earned revenue of Rs.90 crore in FY2017.

Authorised dealership of Maruti Suzuki: The company is an authorised dealer of Maruti Suzuki since 2010 and has established long term relations with OEM.

Weaknesses:

Below average financial risk profile: The below average financial risk profile is marked by low net worth of Rs.5.87 crore as on 31 March, 2016, an increase from Rs. 4.71 crore in FY2015, mainly on account of infusion of fresh capital and retention of current year profit. The gearing stood at a high of 5.65 times in FY2016, a decline from 6.97 times, due to fall in short term debt. The interest coverage ratio has been moderate at 1.26 times in FY2016 which declined from 1.33 times in FY2015. The debt service coverage ratio stood at 1.05 times in FY2016, an increase from 0.69 times in FY2015. The net cash accruals against total debt stood low at 0.03 times in FY2016.

Working capital intensive operations: The working capital intensive operations are marked by high gross current asset (GCA) days of 117 days in FY2016, a decline from 129 days in FY2015. This is mainly on account of decrease in debtor days of 50 in FY2016.

Analytical Approach: SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that SAPL will maintain a stable outlook over the medium term owing to its dealership business. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues, financial risk profile and profit margins with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity – Key Financials

For FY2015-16, SAPL reported profit after tax (PAT) of Rs 0.13 crore on total operating income of Rs.84.27 crore, compared to PAT of Rs.0.12 crore on total operating income of Rs.79.50 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Applicable Criteria

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

Note on complexity levels of the rated instrument:

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

Rating History for the last three years:

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---------------|---------------------------------|-----------|------------------|-----------------|
| 22 March 2016 | Bank Overdraft | Long Term | INR 18.00 | SMERA B/Stable |
| | Term Loan | Long Term | INR 1.40 | SMERA B/Stable |
| | Cash Credit | Long Term | INR 11.66 | SMERA B/Stable |
| | Proposed Facility | Long Term | INR 0.94 | SMERA B/Stable |

***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 | N.A | N.A | N.A | 10.00 | SMERA B/Stable (Reaffirmed) |
| Cash Credit | N.A | N.A | N.A | 2.00 | SMERA B/Stable (Assigned) |
| Bank Overdraft | N.A | N.A | N.A | 18.00 | SMERA B/Stable (Reaffirmed) |
| Term Loan | N.A | N.A | N.A | 1.40 | SMERA B/Stable (Reaffirmed) |
| Proposed | N.A | N.A | N.A | 0.94 | SMERA B/Stable (Reaffirmed) |
| Cash Credit | N.A | N.A | N.A | 1.66 | SMERA B/Stable (Assigned) |

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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