

SJB Automobiles Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.50	SMERA B+/Stable (Assigned)
Overdraft	7.50	SMERA B+/Stable (Assigned)
Asset Backed Loan	3.00	SMERA B+/Stable (Assigned)
Cash Credit (Dealer Financing)	4.00	SMERA A4 (Assigned)
Channel Financing	4.00	SMERA A4 (Assigned)
Bank Guarantee	6.05	SMERA A4 (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.29.05 crore bank facilities of SJB Automobiles Private Limited (SJB). The outlook is '**Stable**'. The ratings draw comfort from the long track record of operations, experienced management and modest revenue growth. The ratings also draw support from the moderate financial risk profile marked by moderate revenue growth and operating margin. However, the ratings are constrained by the high leverage (debt equity ratio), stretched working capital cycle and intense competition in the automobile dealership industry.

SJB is a Coimbatore-based company engaged in the automobile dealership business since 1980. The company was promoted by Mr. J Balakrishnan who possesses extensive experience in the automobile dealership industry.

The company's revenue increased from Rs.128.18 crore in FY2015 to Rs.141.90 crore in FY2016. The moderate financial risk profile is marked by Return on Capital Employed (ROCE) of 9.64 per cent, interest coverage ratio of 1.44 times and Debt Service Coverage Ratio (DSCR) of 1.39 times in FY2016 (Provisional). SJB's business activity is working capital intensive with Gross Current Assets (GCA) of 135 days due to high inventory holding in FY 2015-16. However, the company has been able to manage its working capital by average bank limit utilisation of 94 per cent.

Rating Sensitivity Factors

- Scalability of operations with healthy profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that SJB will maintain a stable business profile over the medium term owing to the promoter's vast experience in the auto dealership business in Tamil Nadu. The outlook maybe revised to 'Positive' in case of increase in cash accruals with improvement in the financial profile. Conversely, the outlook maybe revised to 'Negative' in case of stretch in working capital management and financial profile.

Criteria applied to arrive at the rating:

- Trading entities

About the Company

SJB was incorporated in 2009 by Mr. J Balakrishnan, who possesses more than four decades of experience in the automobile industry. The company is an authorised dealer of TVS Motor Company, Mahindra and Mahindra and JCB and sells through its showrooms at Coimbatore, Erode, and Karur among others.

The company reported profit after tax (PAT) of Rs.0.48 crore on operating income of Rs.141.90 crore (Provisional) for FY2015-16 as compared with net loss of Rs.2.53 crore on operating income of Rs.128.18 crore for FY2014-15. The net worth stood at Rs.14.11 crore (Provisional) as on March 31, 2016 as compared with Rs.9.98 crore a year earlier.

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ABOUT SMERA

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