

### H. D. Trailers Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	0.80	SMERA BB-/Stable (Assigned)
Bill Discounting	0.50	SMERA A4+ (Assigned)
Proposed Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Proposed Term Loan	1.00	SMERA BB-/Stable (Assigned)
Proposed Fund Based/Non-Fund Based	0.70	SMERA BB-/Stable/SMERA A4+ (Assigned)

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.5.00 crore bank facilities of H. D. Trailers Private Limited (HDTPL). The outlook is '**Stable**'.

The ratings derive comfort from the company's experienced management and improved operating profit margins. However, the ratings are constrained by the limited track record of operations, moderate scale of business and moderate financial risk profile. The ratings also factor in the risks associated with the ongoing project and its susceptibility to fluctuations in raw material prices.

HDTPL, incorporated in 2011, is engaged in the distribution of trailer parts and spares. The company benefits from its experienced management viz. Mr. Pratha Ghosh (Managing Director), Mr. H.S. Yadav, Mrs. Swati Ghosh and Mr. Siddhartha Ghosh, Partners possess over 15 years of experience in the auto ancillary industry. The company's operating profit margins have shown an improvement over the years from 2.69 per cent in FY2013-14 to 4.33 per cent in FY2015-16 (provisional).

However, the company commenced commercial operations in FY2011 and operates on a moderate scale. The company has registered a healthy revenue growth during the period under study (FY2013-16) on account of increase in order book value. Revenues increased from Rs.26.99 crore in FY2014-15 to Rs.53.45 crore for FY2015-16 (Provisional). Besides, the company plans to expand capacity to 1000 axle units/month by setting up a facility to assemble trailer parts. The project is expected to be funded by debt of Rs.1.00 crore and Rs.0.50 crore of promoters' contribution. The operations are expected to commence from November 2016 onwards.

HDTPL has a moderate financial risk profile marked by low net worth of Rs.2.18 crore as on March 31, 2016 (Provisional). The gearing stands at 0.22 times as on 31 March, 2016 (Provisional) as compared to 0.39 times in the previous year. HDTPL plans to enhance its bank limits to fund its project cost and incremental working capital requirements. Thus, the financial risk profile will continue to remain moderate in the medium term after taking into account the additional debt.

HDTPL's profit margins are susceptible to raw material price fluctuations as material cost (trailer axle, suspension) is driven by global steel prices that are volatile in nature.

#### Rating Sensitivity Factors

- Sustainable and substantial growth in revenues with improvement in profitability
- Volatility in raw material prices impacting profitability
- Improvement in the financial risk profile

## Outlook-Stable

SMERA believes that HDTPL will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex or working capital requirements.

## Criteria to arrive at the ratings

- Trading Entities

## About the Company

HDTPL, incorporated in 2011, is a Mumbai-based company engaged in the distribution of trailer parts and spares. The company has branches in Raipur, Jamshedpur, Kolkata among others.

In FY2014-15, the company reported profit after tax (PAT) of Rs.0.66 crore on operating income of Rs.26.99 crore against profit after tax of Rs.0.07 crore on operating income of Rs.5.92 crore in the previous year. As per FY2015-16 (Provisionals), the company reported profit after tax of Rs.1.36 crore on operating income of Rs.53.45 crore.

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## ABOUT SMERA

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