

Press Release

Sri Senthil Autos

February 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.25 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 7.25 crore bank facilities of Sri Senthil Autos. The outlook is '**Stable**'.

Sri Senthil Autos (SSA), a partnership firm established in 1990 is the authorised dealer of Hero Motocorp Ltd. The firm was set up by Mr. M K Maheshwaran and has 3-S facilities (Sales, Service and Spares). SSA operates through a single leased showroom (along with workshop) at Erode, Tamil Nadu. It also has a network of six sub-dealers.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is headed by Mr M K Maheshwaran who has over two decades of experience in auto dealership.

- **Long standing relationship with Hero Motocorp**

SSA is an authorised dealer of two wheelers of HeroMoto Corp Limited since 1990.

Weaknesses

- **Decline in operating income**

SSA's operating income declined over the years from Rs 21.24 cr in FY2014 to Rs 17.48 cr in FY2016 due to reduction in the number of dealers from eight in FY2014 to six in FY2016.

- **Weak financial risk profile**

The financial profile of SSA is marked by low net worth base of Rs 2.38 cr, high gearing of 2.94 times, moderate interest coverage ratio of 1.53 times and low NCA/TD of 0.02 times as on 31st March, 16. The TOL/TNW stands at 4.03 times as on 31st March, 16.

- **Working capital intensive nature of business**

The operations of SSA are working capital marked by increase in gross current assets over the period. GCA stands at 149 days in FY2016 as against 129 days in FY2014 mainly on account of rise in inventory. Inventory stood at 82 days in FY2016 as compared to 53 days in FY2014.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profiles of SSA.

Outlook: Stable

SMERA believes that the firm will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of substantial increase in revenue and

profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability margins, or significant deterioration in its capital structure owing to stretch in its working capital cycle. Any large debt-funded capital expenditure undertaken may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2016, SSA reported Profit after Tax (PAT) of Rs.0.16 cr on total operating income of Rs.17.48 cr as compared with PAT of Rs.0.02 cr on total operating income of Rs.19.29 cr in FY2015.

Status of non-cooperation with previous CRA (if applicable)

CARE in its press release dated March 17, 2016 inter alia has stated the following 'CARE has suspended with immediate effect, the rating assigned to the bank facilities of Sri Senthil Autos. The rating has been suspended as the firm has not furnished the information required by CARE for monitoring of the rating.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable

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