

Press Release

Silver Jubilee Motors Limited

April 06, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 57.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 57.00 crore bank facilities of Silver Jubilee Motors Limited. The outlook is '**Stable**'.

Silver Jubilee Motor Limited (SJML) was incorporated in 1935 as a private limited company by Mr. Saivash Z. Kothaval. In 2003 the company was taken over by Mr. Sanjay Jagtap and Mr. Kiranpal Singh Ahluwalia. The company is an authorised dealer of commercial vehicles of Mahindra & Mahindra and is also engaged in the trading and servicing of vehicles through its 14 showrooms, four workshops and two stockyards in Pune.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The company began operations in 1935. The Directors, Mr. Sanjay Jagtap and Mr. Kiranpal Singh Ahluwalia possess over two decades of experience in the automobile industry.

- **Authorised dealer of Mahindra & Mahindra**

The company is an established dealer of Mahindra & Mahindra in Pune.

- **Modest scale of operations**

The scale of operations stood at modest levels with revenue of Rs.405.93 cr in FY2016 as compared to Rs.391.84 cr in FY2015. The company earns 60 per cent of its total revenue from trading and servicing of passenger vehicles with the balance from sale of commercial vehicles.

Weaknesses

- **Intense competition**

SJML faces competition from various dealers of Mahindra as well as that of other companies such as Skoda, Toyota, Maruti, Ford, Honda etc. operating in Maharashtra.

- **Average financial risk profile**

SJML's average financial risk profile is marked by high net worth of Rs.98.37 cr in FY 2016. The gearing stands high at 1.08 times. The interest coverage ratio has been moderate at 1.56 times and DSCR at 1.17 times in FY2016. The NCA/TD stood at a low of 0.06 times in FY2016.

- **Geographical concentration risk**

The company is exposed to geographic concentration risk since it caters only to customers in Pune.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SJML.

Outlook: Stable

SMERA believes that SJML will maintain a stable outlook and benefit over the medium term from the promoters vast experience in the dealership business and its strong presence in south India. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining operating profitability and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, SJML reported profit after tax (PAT) of Rs 2.97 cr on total operating income of Rs.405.93 cr, as compared with PAT of Rs.2.94 cr on total operating income of Rs.391.84 cr in FY2014-15.

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

None

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)

Not Applicable

***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	52.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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