

Press Release

Salasar Multitrade Private Limited

May 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

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**) on the Rs. 10.00 crore bank facilities of Salasar Multitrade Private Limited. The outlook is '**Stable**'.

The Maharashtra-based Salasar Multitrade Private Limited (SMPL), incorporated in 2007 was promoted by Mr. Dhanraj Agarwal, Mr. Kailash Agarwal and Mr. Pratikhh Agarwal. The company is an authorised dealer of Bajaj Auto Limited for two wheelers and distributor of Gionee mobile phones. The company has a Bajaj two wheeler showroom at Bhiwandi and distribution rights of DTH cables for Mira Road and Bhayander.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Dhanraj Agarwal and Mr. Kailash Agarwal having around three decades of experience in the auto dealership and distributorship businesses.

- **Efficient working capital management and comfortable liquidity**

SMPL has efficient working capital management marked by gross current assets (GCA) of 69 days in FY2015-16 as against 70 days in FY2014-15. The improvement in GCA days emanates from the inventory days of 28 and debtor days of 33 for FY2015-16. The average utilisation of cash credit has been comfortable at ~82 percent in the last six months ended March, 2017. The company has NCA/TD (Net Cash Accruals/Total Debt) of 0.05 times in FY2015-16. The company also has unencumbered cash and bank balance of Rs.0.78 cr as on 31 March, 2016.

Weaknesses

- **Modest scale of operations**

SMPL has modest scale of operations marked by operating income of Rs.38.31 crore in FY2015-16 as compared to Rs.31.81 crore in FY2014-15. Further, as informed by the management, the company achieved revenue of ~Rs.50.00 crore in FY2016-17.

- **Low profitability**

The company reported net profit margin of 0.50 per cent in FY2015-16 as against 0.38 per cent in FY2014-15. The slender margins are attributed to the trading nature of business.

- **Below average financial risk profile**

SMPL has below average financial risk profile marked by low net worth of Rs.1.29 crore as on 31 March, 2016 as against Rs.1.09 cr as on 31 March, 2015. The gearing level (debt-to-equity ratio)

stood high at 3.93 times as on 31 March, 2016 as compared to 4.19 times in the previous year. The Interest coverage ratio (ICR) stood at 1.50 times in FY2015-16 as against 1.47 times in FY2014-15. The debt service coverage ratio (DSCR) stood at 1.36 times in FY2015-16 as against 1.33 times in FY2014-15.

• **Intense competition from other dealers and distributors**

SMPL faces intense competition from other dealers of two wheelers as also auto manufacturers (Hero Motocorp, Honda and TVS Motor Company). The company's operations are susceptible to the inherent cyclical nature in the automobile sector.

Analytical Approach

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

Outlook: Stable

SMERA believes that SMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in profitability, overall financial risk profile and liquidity. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

SMPL reported profit after tax (PAT) of Rs.0.19 crore on total operating income of Rs.38.31 crore in FY2015-16 compared with PAT of Rs.0.12 crore on total operating income of Rs.31.81 crore in FY2014-15. The tangible net worth stood at Rs.1.29 crore as on 31 March, 2016.

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>
- 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.90	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	2.60	SMERA B+ / Stable

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ABOUT SMERA

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