

Press Release

Salasar Multitrade Private Limited

February 01, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.10.00 crore bank facilities of Salasar Multitrade Private Limited (SMPL). The outlook is '**Stable**'.

The Mumbai based SMPL was incorporated by Mr. Dhanraj Agarwal, Mr. Pratiksh Agarwal and Mr. Kailash Agarwal in 2017. SMPL is an authorised dealer of Bajaj Auto Limited for two Wheelers. Its showroom is located at Bhiwandi. Also, SMPL is also engaged as a distributor of LAVA, HONOR and NOKIA mobile phones in specific areas of Mumbai region.

Analytical Approach

Acuité has considered standalone financial and business risk profile of SMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Dhanraj Agarwal, Mr. Pratiksh Agarwal and Mr. Kailash Agarwal have a decade long experience in the automobile and mobile distribution sectors. The extensive experience of the promoters is expected to strengthen the business risk profile of the company over the medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile of SMPL is average marked by low net worth of Rs.1.83 crore as on 31 March, 2018 as against Rs.1.65 crore as on 31 March, 2017. The gearing stood high at 2.28 times as on 31 March, 2018 as against 3.41 times in the previous year. Interest Coverage Ratio (ICR) stood at 1.33 times for FY2018 and 1.51 times for FY2017. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood high at 3.99 times as on 31 March, 2018 compared to 5.40 times as on 31 March, 2017.

- **Modest scale of operations marked by low profitability margins**

The company has modest scale of operations marked by fluctuating trend in revenue. The same stood at Rs.31.40 crore in FY2018 as against Rs.46.76 in FY2017 and Rs.38.31 crore in FY2016. SMPL's profit margins stood at 0.57 percent in FY2018 as compared to 0.53 percent in FY2017. The low profit margins are usually on account of trading nature of business.

- **Stiff competition from other dealers in the market**

The company faces competition from other dealers of other automobile as well as mobile distributors. SMPL will have to offer better buying terms in order to boost its sales. Furthermore, the sales as well as purchase prices are determined by Bajaj Auto Limited. This results in margin pressure and negatively impacts the earning capacity of the company.

Outlook: Stable

Acuité believes that SMPL will maintain a 'Stable' outlook in the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' in case of increase in the scale of operations, improvement in profitability, coverage indicators, and working capital management.

Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

Liquidity Position:

SMPL has moderate liquidity position marked by net cash accruals of Rs.0.23 in FY2018 against no long term debt obligations. The cash accruals of SMPL are estimated to be in the range of Rs.0.28 crore-Rs.0.30 crore during 2019-21. SMPL's has moderate working capital cycle marked by gross current asset (GCA) days of 94 in FY 2018. The current ratio of SMPL stood at 1.33 times as on March 31, 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.40	46.76	38.31
EBITDA	Rs. Cr.	0.99	0.98	0.87
PAT	Rs. Cr.	0.18	0.25	0.19
EBITDA Margin	(%)	3.15	2.10	2.27
PAT Margin	(%)	0.57	0.53	0.50
ROCE	(%)	14.86	14.36	14.14
Total Debt/Tangible Net Worth	Times	2.28	3.41	3.93
PBDIT/Interest	Times	1.39	1.67	1.61
Total Debt/PBDIT	Times	4.03	5.48	5.61
Gross Current Assets (Days)	Days	94	74	68

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Jun-2018	Cash Credit	Long Term	4.90	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Indicative)
	Proposed Long Term Loan	Long Term	2.60	ACUITE B+ (Indicative)
24-May-2017	Cash Credit	Long Term	4.90	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	2.60	ACUITE B+ / Stable (Assigned)

***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	ACUITE B+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE B+ / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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