

Press Release

Nataraj Mobiles Private Limited

June 05, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as SMERA BBB) on the Rs. 20.00 crore bank facilities of Nataraj Mobiles Private Limited. The outlook is '**Stable**'.

The Uttar Pradesh-based Nataraj Mobiles Private Limited (NMPL) was incorporated in 1989. The company is an automobile dealer of Mahindra & Mahindra Limited, Bajaj Auto Limited, Ashok Leyland Limited, Hyundai Motor India Limited and JCB India Limited.

Key Rating Drivers

Strengths

- **Experienced management**

NMPL was incorporated in 1989. The company is led by Mr. Purshottom Khanna, Mr. Sanjay Khanna, Mr. Kapil Khanna and others. The promoters have almost three decades of experience in the automobile dealership industry.

- **Robust financial risk profile**

The robust financial risk profile is marked by comfortable gearing, interest coverage ratio and debt protection measures. The debt to equity ratio of the company stood at 1.46 times as on 31 March, 2016 as compared to 1.51 times as on 31 March, 2015. The gearing of 1.46 times as on 31 March, 2016 is evident from the healthy networth of Rs. 19.29 crore as on 31 March, 2016 as against the total debt of Rs.28.23 crore (includes long term loan of Rs. 5.64 crore, unsecured loan from promoters and affiliates of Rs.2.60 crore and working capital financing of Rs.19.99 crore) as on 31 March, 2016. The interest coverage ratio improved to 3.19 times in FY2016 as against 3.16 times a year earlier on account of improved profitability. Moreover, NCA/TD stood at 0.12 times in FY2015-16. The company generated net cash accruals of Rs.3.35 crore in FY2015-16 as compared to total debt of Rs.28.23 crore in the previous year. The DSCR stood at a comfortable 2.24 times in FY2015-16 compared to 2.71 times in FY2014-15. The networth is healthy at Rs 19.29 crore in FY2016. The DSCR declined marginally on account of increase in interest expenses.

- **Efficient working capital management**

The working capital cycle is marked by gross current asset (GCA) days of 84 in FY2016 as compared to 62 days a year earlier. The inventory days stood at 55 in FY2015-16 vis-a-vis 47 in FY2014-15 and debtor days at 14 in FY2015-16 as compared to 12 in FY2014-15.

- **Established regional presence**

The company's operations are spread across Jhansi, Banda, Chhatarpur, Mahoba, Hamirpur in Uttar Pradesh.

Weaknesses

- **Thin profitability margins**

The operating profitability is low and stood at 3.40 percent in FY2016 as compared to 2.77 percent in FY2015. The PAT margins stood at 1.22 percent in FY2016 as against 0.89 percent in FY2015.

• Cyclicality associated with the automobile industry

The company is exposed to the inherent cyclicality associated with the automobile industry due to its correlation with the macroeconomic environment and exposure to the performance of OEMs.

Analytical Approach

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

Outlook: Stable

SMERA believes that NMPL will maintain a stable outlook and continue to benefit over the medium term from the vast experience of its promoters. The outlook may be revised to 'Positive' if NMPL achieves substantial and sustainable increase in revenue and profitability margins while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue, profitability margins or if the working capital cycle gets stretched. Any large debt-funded capex undertaken by the company may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2016, NMPL reported Profit after Tax (PAT) of Rs.2.31 crore on total operating income of Rs.188.75 crore as compared with PAT of Rs.1.69 crore on total operating income of Rs.190.00 crore in FY2015. Further, the company achieved operating income of Rs.205.16 crore from April 2016 to March 2017.

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	12.00	SMERA BBB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB / Stable

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ABOUT SMERA

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