

Press Release

SHAKTI AUTOS

October 16, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 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. 5.00 crore bank facilities of SHAKTI AUTOS. The outlook is 'Stable'.

Shakti Autos (SA) established in 2015 is an Uttar Pradesh-based partnership firm led by Mr. Sanjay Sabharwal, Mr. Sunil Kumar, Mr. Sameer Sabharwal and Mr. Puneet Sabharwal. The firm is an authorised dealer for two wheelers of Bajaj Auto Limited and has a showroom and service centre at Raebareli, Uttar Pradesh.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Sanjay Sabharwal, Mr. Sunil Kumar, Mr. Sameer Sabharwal and Mr. Puneet Sabharwal possess overall experience of over two decades in the auto industry.

Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by low networth of Rs.2.34 crore as on 31 March, 2017 compared to Rs.1.97 crore as on 31 March, 2016. The gearing improved to 0.95 times as on 31 March, 2017 as against 1.50 times as on 31 March, 2016 on account of regular infusion of funds by promoters. The moderate gearing is on account of low net worth of Rs.2.34 crore as against total debt of Rs.2.22 crore in FY2016-17. Further, the total debt includes term loan of Rs. 1.02 crore, unsecured loan of Rs.0.14 and working capital limit of Rs.1.07 crore. The interest coverage of the firm stands moderate at 1.39 times in FY2017 as against 1.48 times in the previous year. The net cash accruals by total debt (NCA/TD) stood at 0.10 times in FY2017 compared to 0.05 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.00 times in FY2016-17 as against 1.43 times in the previous year. SMERA expects the firm to continue its average risk profile in the medium term. The firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

- **Susceptibility of profitability margins**

The profit margins are linked to the performance of Bajaj Auto Limited. Hence, adverse changes in the business risk profile of the firm can impact profitability margins of SA.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected revenue and cash accruals while improving the net worth levels. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2017, the firm reported profit after tax (PAT) of Rs.0.11 crore on operating income of Rs.23.53 crore, compared to Rs.0.04 crore on operating income of Rs.10.83 crore in FY2016. The net worth stood at Rs.2.34 crore as on 31 March, 2017 as against Rs.1.97 crore a year earlier.

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	2.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	1	Not Applicable	Not Applicable	1.00	SMERA A4

Contacts

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ABOUT SMERA

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