

## Press Release

### G P Tractors (GPT)

10 February, 2018



### Rating Assigned

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.9.25 Cr                 |
| <b>Long Term Rating</b>             | SMERA B+/Stable (Assigned) |
| <b>Short Term Rating</b>            | SMERA A4 (Assigned)        |

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B+**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.9.25 crore bank facilities of G.P. Tractors (GPT). The outlook is '**Stable**'.

G. P. Tractors (GP), a Barabanki (Uttar Pradesh) based partnership firm established in 2004 is a primary distributor of Mahindra & Mahindra Ltd (M&M) tractors and light commercial vehicles. The firm is currently headed by Mr. Guptar Nath Jaiswal, Mr. Sharad Kumar Jaiswal and Mr. Ritesh Jaiswal, the partners. GP has 17 channel partners (dealers) in Uttar Pradesh.

### Key rating drivers

#### Strengths

##### Experienced management & Long track of operation:

The partners, Mr. Guptar Nath Jaiswal, Mr. Sharad Kumar Jaiswal and Mr. Ritesh Jaiswal have an experience of over a decade in the automobile industry. Their experience has helped them in maintaining comfortable relationships with their OEM, M& M apart from their customers.

#### Weaknesses

##### Average financial risk profile:

The financial risk profile of the firm is characterised by relatively low networth, high gearing and moderate debt protection measures. The networth base of the firm stood at Rs.2.46 crore as on 31<sup>st</sup> March 2017 as compared to Rs.1.99 crore as on 31<sup>st</sup> March 2016. The gearing of the company stands high at 2.91 times as on 31<sup>st</sup> March 2017 as compared to 3.66 times as on 31<sup>st</sup> March 2016. The total debt includes working capital limit of Rs.6.98 crore and long term of Rs.0.19 crore. The interest coverage of the company stood at 1.47 times in FY2017 as against 1.39 times in the previous year. The net cash accruals to total debt (NCA/TD) stands at 0.06 times in FY2017 as compared to 0.06 times in FY2016.

SMERA expects the firm to continue its moderate risk profile over near to medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

### Intense competition

GPT faces competition from various dealers of other companies such as Escorts Limited, Ashok Leyland Limited, TATA Motor Limited etc, operating in the city of Barabanki. GPT has to, in order to boost its volume, offer better buying terms. Furthermore, the sales as well as purchase prices are determined by Mahindra & Mahindra. This results in pricing constraint & margin pressure arising out of competition and extant economic scenario resulting in uncertainty in automobile industry.

### 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 business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile due to debt funded capital expenditure

### About the Rated Entity – Key Financials

| Particulars                   | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 41.27         | 47.25         | 70.57         |
| EBITDA                        | Rs. Cr. | 1.43          | 1.43          | 1.41          |
| PAT                           | Rs. Cr. | 0.39          | 0.34          | 0.46          |
| EBITDA Margin                 | (%)     | 3.46          | 3.02          | 2.00          |
| PAT Margin                    | (%)     | 0.95          | 0.72          | 0.65          |
| ROCE                          | (%)     | 14.44         | 15.21         | 16.03         |
| Total Debt/Tangible Net Worth | Times   | 2.92          | 3.78          | 5.48          |
| PBDIT/Interest                | Times   | 1.47          | 1.39          | 1.61          |
| Gross Current Assets          | Days    | 78            | 66            | 48            |

**Any other information:**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application 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>

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

None

**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. Crore) | Ratings/Outlook  |
|------------------------------------|------------------|----------------|----------------|-------------------------------|------------------|
| Cash Credit                        | Not Applicable   | Not Applicable | Not Applicable | 7.00                          | SMERA B+/ Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable   | Not Applicable | Not Applicable | 1.25                          | SMERA A4         |
| Proposed Bank Facility             | Not Applicable   | Not Applicable | Not Applicable | 1.00                          | SMERA B+/ Stable |

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|---|--|
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## ABOUT SMERA

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