

Press Release

INDIRA FILLING STATION

16 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 6.50 crore bank facilities of INDIRA FILLING STATION (IFS). The outlook is '**Stable**'.

Indira Filling Station is a proprietorship firm established by Mrs. Indira Senapati (Proprietor) and Mr. Hemanta Senapati in 2007. The firm has undertaken dealership of Indian Oil Corporation for petrol, diesel and Servo lubricants. The petrol pump is located at NH-5, Simulia, Balasore, Odisha.

Key Rating Drivers

Strengths

- Experienced management, long track record of operations**

IFS was established by Mrs. Indira Senapati (Graduate) and Mr. Hemanta Senapati who possess more than a decades experience in the aforementioned business. The firm has grown at a CAGR of 22 percent.

- Effective working capital management**

The working capital management is effective marked by Gross Current Asset (GCA) days of 34 in FY2017 as against 31 in FY2016. The GCA days are mainly dominated by high debtors of 29 days in FY2017 as against 20 days in FY2016. The average bank limit utilisation for the past six months stood at more than 95 percent. SMERA believes that the efficient working capital management will be crucial in order to maintain a stable credit profile.

Weaknesses

- Weak financial risk profile**

The financial risk profile of the firm is weak marked by net worth of Rs. 2.34 crore as on 31 March, 2017 as compared to Rs. 1.55 crore as on 31 March, 2016. It includes unsecured loans of Rs. 0.81 crore which is considered as quasi equity. The adjusted gearing (debt-equity) is 2.69 times as on 31 March, 2017 as against 2.17 times as on 31 March, 2016. The total debt mainly includes working capital borrowings of Rs. 5.67 crore as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 1.75 times in FY2017 as compared to 1.72 times in FY2016. The total outstanding liabilities to total net worth (TOL/TNW) is 2.70 times as on 31 March 2017 as compared to 2.17 times as on 31 March 2016.

- Low profitability margins**

The PAT margin stood at 0.48 percent in FY2017 and 0.40 in FY2016. Also, the firm registered EBITDA margin of 1.36 percent in FY2017 and 1.12 percent in FY2016.

- Geographical concentration risk**

IFS derives revenue from dealership business and caters to only one customer. Hence, the firm is exposed to geographic concentration risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Indira Filling Station to arrive at the rating.

Outlook: Stable

SMERA believes that IFS will maintain a 'Stable' outlook over the medium term on account of its experienced and qualified management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or in case of higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	82.30	50.13	36.73
EBITDA	Rs. Cr.	1.12	0.56	0.49
PAT	Rs. Cr.	0.39	0.20	0.14
EBITDA Margin	(%)	1.36	1.12	1.35
PAT Margin	(%)	0.48	0.40	0.38
ROCE	(%)	15.27	11.94	22.67
Total Debt/Tangible Net Worth	Times	2.69	2.17	3.12
PBDIT/Interest	Times	1.75	1.72	1.53
Total Debt/PBDIT	Times	5.61	5.76	6.16
Gross Current Assets (Days)	Days	34	32	34

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA BB / Stable

Contacts

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ABOUT SMERA

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