

Press Release

Shiva Wheels Private Limited (SWPL)

March 13, 2018

Rating Assigned



Total Instruments Rated*	Rs. 9.88 crore
Long Term Rating	SMERA B+/ Stable (Assigned)

Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA single B plus**) to Rs.9.88 bank facilities of Shiva Wheels Private Limited. The outlook is '**Stable**'.

Shiva Wheels Private Limited (SWPL) was incorporated in 2003 as a closely held company in Kolkata, West Bengal. The current directors are Mr. Sanjib Paul, Ms. Gouri Rani Paul, Mr. Kausik Paul, and Mr. Souvik Paul. The company is engaged in dealership of motor vehicles of Honda for the last 8 years. It was engaged in dealership of auto ancillary parts previously. It has showrooms and a service center at present in Kolkata and plans to inaugurate another service centre in Birati, West Bengal.

Key rating drivers

Strengths

- Experienced management**

Shiva Wheels Private Limited (SWPL), a Kolkata was incorporated in 2003. It was incorporated by Late Mr. Shivjivan Paul, Ms. Gouri Rani Paul and Mr. Sanjib Paul. At present the directors are Mr. Sanjib Paul, Ms. Gouri Rani Paul, Mr. Kausik Paul, and Mr. Souvik Paul. They have been associated in this line of business for more than a decade now thus have been successful in establishing long standing relationship with their suppliers and customers.

- Efficient working capital management**

SWPL's working capital management is comfortable with Gross Current Assets (GCAs) of 53 days on account of low debtors and inventory days of 10 and 28 days respectively.

Weaknesses

- Thin profitability margins**

SWPL's profitability margins are thin due to the trading nature of business. The EBIDTA margins stood at 2.42 percent in FY2017 as compared to 3.47 percent in FY2016. The PAT margins stood at 0.29 percent in FY2017 as compared to 0.42 percent in FY2016.

- Below average financial risk profile**

The financial risk profile is below average marked by low net worth, high gearing and modest debt protection metrics. The networth levels stood at Rs. 2.46crore as on 31 March, 2017 as compared to Rs.1.86crore in the previous year. The gearing stood high at 3.52 times as on 31 March, 2017 as compared to 4.24 times in the previous year. The TOL/TNW also stood high at 4.27 times in FY2017 as against 6.38 times in FY2016. The interest coverage ratio stood low at 1.44 times in FY2017. The

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NCA/TD stood at 0.04times for FY2017 as against 0.03 times in the previous year.

- Intense market competition**

With Honda focusing on expanding its dealership network, the competition among its own dealers is increasing. Furthermore, the company also faces competition from dealers of other automobile companies like Hero, Bajaj, Mahindra, among others.

Analytical approach:

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

Outlook – Stable

SMERA believes that SWPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers in operating margins, capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.23	29.29	17.82
EBITDA	Rs. Cr.	1.10	1.02	0.74
PAT	Rs. Cr.	0.13	0.12	(0.08)
EBITDA Margin	(%)	2.42	3.47	4.18
PAT Margin	(%)	0.29	0.42	(0.48)
ROCE	(%)	11.68	11.72	19.84
Total Debt/Tangible Net Worth	Times	3.52	4.24	2.48
PBDIT/Interest	Times	1.44	1.43	1.15
Total Debt/PBDIT	Times	6.10	7.62	5.59
Gross Current Assets (Days)	Days	53	95	90

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

On 18th December 2017 Care Ratings has migrated Shiva Wheels Private Limited (SWPL) Long-Term Issuer Rating to the non-cooperating category.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
EDFS	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable
EDFS (New)	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B+ / Stable
ABL	Not Applicable	Not Applicable	Not Applicable	2.66	SMERA B+ / Stable
ABL(Fresh)	Not Applicable	Not Applicable	Not Applicable	1.12	SMERA B+ / Stable

Contacts

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ABOUT SMERA

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