

## Press Release

### JMG AUTOMOBILES

March 15, 2018

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.10 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 6.10 crore bank facilities of JMG AUTOMOBILES. The outlook is '**Stable**'.

Established in 1999, JMG Automobiles, partnership firm, at cuttuck, Odisha is a dealer of Hero Motocorp Ltd two wheelers bikes and scooters currently being managed by Mr. Pradeep Agarwal and Mrs. Shipra Agarwal. JMG Automobiles has many sub-dealers through whom the sales are effected. In addition the firm has two service centers and sells spare parts and lubricants oil, etc sourced from Hero Motocorp and others.

#### Key Rating Drivers

##### Strengths

- **Experienced management:**

Mr. Pradeep Agarwal has experience of more than 15 years in same line of business. Goodwill, trust, after sales service and long track record of operation are the key strengths of the firm.

- **Comfortable Working capital cycle**

The working capital cycle of JMG Automobiles is marked by GCA of 39 days in FY2017 which has reduced from 64 days in FY2016. GCA includes inventory of 23 days in FY2017 while the debtors are of 9 days. SMERA believes that management of the working capital will be crucial to the firm in order to maintain a stable credit profile.

##### Weaknesses

- **Weak financial risk profile**

The firm's financial risk profile is weak marked by negative net worth of Rs.0.16 Crore as on March 31, 2017 compared to Rs. 3.36 Crore as on March 31, 2016. The Interest coverage ratio deteriorated to 1.97 times in FY2017 from 3.42 times in FY 2016. The erosion in networth has resulted from withdrawal of capital fund by the partners.

- **Stiff competition from other brand dealers**

The automobile dealership business is marked by presence of several competitors with same or different brand of automobiles which posses stiff competition in this business. JMG Automobiles will face stiff competition from other automobiles dealers located within the vicinity.

#### Analytical Approach

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

#### Outlook: Stable

Outlook - Stable SMERA believes the outlook on JMG Automobiles facilities will remain stable over the medium term on account of its promoter's experience in the line of business. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability margins. Conversely, the outlook may be revised to 'Negative' in case the firm suffers lower revenue and/or

deterioration of its financial risk profile.

#### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	58.80	54.29	45.39
EBITDA	Rs. Cr.	0.74	0.75	0.51
PAT	Rs. Cr.	0.28	0.46	0.37
EBITDA Margin	(%)	1.27	1.38	1.13
PAT Margin	(%)	0.47	0.84	0.82
ROCE	(%)	9.31	10.33	20.12
Total Debt/Tangible Net Worth	Times	-54.43	2.53	1.33
PBDIT/Interest	Times	1.97	3.42	5.83
Total Debt/PBDIT	Times	8.05	8.24	5.10
Gross Current Assets (Days)	Days	39	64	45

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

none

#### Any other information

Not Applicable

#### 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	6.10	SMERA B+ / Stable

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