

## Press Release

**Bharath Autos**

26 April, 2018

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.10.00 crore bank facilities of Bharath Autos. The outlook is '**Stable**'.

Bharath Autos is a Tamil Nadu-based partnership firm established by Mr. S. Bhoopathi and Mr. Durai Swami in 1998. The firm has been a dealer of TVS Motors for two wheelers in Sulur and Palladam for more than two decades and has recently set up shop in Tirupur.

### Key Rating Drivers

#### **Strengths**

- **Experienced management and association with TVS Motors**

The partners, Mr. S. Bhoopathi and Mr. Durai Swami have over two decades of experience in the industry. The firm has established long term relations with its principal, TVS Motors for over two decades.

#### **Weaknesses**

- **Decrease in revenue and profitability**

Bharath Autos faces stiff competition from other dealers at Sulur and Palladam as reflected in its declining revenue trend. The revenues declined from Rs.28.14 crore in FY2015 to Rs.26.78 crore in FY2016 and Rs.21.96 crore in FY2017. However, the firm is able to maintain its operating margins which improved to 3.41 percent in FY2017 from 2.18 percent in FY2016.

- **Moderate financial risk profile**

The financial risk profile is below average as reflected in the low networth of Rs.1.53 crore as on 31 March, 2017 as compared to Rs.1.45 crore as on 31 March, 2016. The gearing deteriorated to 1.94 times as on 31 March, 2017 from 1.28 times as on 31 March, 2016. The Interest Coverage Ratio stood at 1.61 times in FY2017 and 1.89 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets of 101 days as on 31 March, 2017 as against 69 days as on 31 March, 2016. This is mainly due to high inventory of 42 days as on 31 March, 2017 as against 24 days as on 31 March, 2016. The firm had debtors of 37 days as on 31 March, 2017 as against 32 days as on 31 March, 2016.

#### **Analytical Approach**

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

#### **Outlook- Stable**

SMERA believes that Bharath Autos will maintain a 'Stable' outlook over the medium term on the back of the extensive experience of its partners. The outlook may be revised to 'Positive' in case of higher than

expected growth in revenue while maintaining profitability resulting in improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profitability or further elongation of its working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.96	26.78	28.14
EBITDA	Rs. Cr.	0.75	0.59	0.67
PAT	Rs. Cr.	0.21	0.25	0.27
EBITDA Margin (%)	(%)	3.41	2.18	2.38
PAT Margin (%)	(%)	0.96	0.94	0.97
ROCE (%)	(%)	19.34	21.22	45.62
Total Debt/Tangible Net Worth	Times	1.94	1.28	1.07
PBDIT/Interest	Times	1.61	1.89	1.98
Total Debt/PBDIT	Times	3.40	2.39	1.94
Gross Current Assets (Days)	Days	101	69	72

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.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	2.00	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.44	SMERA BB- / Stable
Proposed Cash	Not Applicable	Not	Not	1.06	SMERA BB- / Stable
Credit		Applicable	Applicable		

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## ABOUT SMERA

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