

Press Release

Raj Yamaha

May 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB-/ Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.14.00 crore bank facilities of Raj Yamaha. The outlook is '**Stable**'.

Raj Yamaha (RY) was established in 2009 by Mr. Raj Kumar as a proprietorship concern in Chennai (Tamil Nadu). RY is an authorised dealer for India Yamaha Motor Ltd in the category of two wheelers. They have 3 S facilities (Sales, Service and Spare parts) in four out of the five showrooms in Chennai.

Key rating drivers

Strengths:

Long track record of operations

RY is an authorised dealer for India Yamaha Motor Ltd since 2009. RY started with a single showroom (OMR) in Chennai. The proprietor, Mr. Raj Kumar has extensive experience in this industry. His track record has helped him establish four more showrooms in addition to taking dealership of two more showrooms which will commence operations by September, 2018.

Weaknesses:

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset (GCA) of 278 days in FY2017 compared to 221 days in FY2016. The GCA days are mainly dominated by high inventory days of 282 days in FY2017 compared to 228 days in FY2016. The average cash credit utilisation for the past six months stood at ~98 percent.

Competitive and fragmented industry

RY operates in a highly competitive industry with presence of a number of other authorised dealers of Yamaha. Besides, RY is also exposed to intense competition from other brand dealers of two wheelers such as Bajaj Auto Ltd., Hero Motocorp Ltd., TVS Motor Company to name a few. The competition has impacted RY's revenues which have decreased to Rs.22.97 crore in FY2017 from Rs.24.56 crore in FY2016. The firm has also registered revenue of ~Rs.13.00 crore up to December, 2017(Provisional).

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of RY.

Outlook: Stable

SMERA believes that RY will maintain a 'Stable' business risk profile over the medium term from its established track record and long relationship with Yamaha. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in its working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.97	24.56	24.47
EBITDA	Rs. Cr.	2.03	1.95	1.81
PAT	Rs. Cr.	0.55	0.55	0.57
EBITDA Margin (%)	(%)	8.85	7.95	7.40
PAT Margin (%)	(%)	2.41	2.23	2.32
ROCE (%)	(%)	11.68	13.31	31.36
Total Debt/Tangible Net Worth	Times	2.09	2.29	2.44
PBDIT/Interest	Times	1.69	1.67	1.61
Total Debt/PBDIT	Times	5.02	5.32	4.21
Gross Current Assets (Days)	Days	282	228	180

Status of non-cooperation with previous CRA (if applicable)—CRISIL vide its press release dated February 27, 2018 has stated, “Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Raj Yamaha which restricts CRISIL's ability to take a forward looking view on the entity's credit quality. CRISIL believes information available on Raj Yamaha is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' rating category or lower'.

Therefore, on account of inadequate information and lack of management cooperation, CRISIL has migrated the rating on bank facilities of Raj Yamaha to 'CRISIL B+/Stable Issuer not cooperating'.”

Any other information: None

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	1.60	SMERA BB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.75	SMERA BB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.65	SMERA BB-/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB-/Stable

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ABOUT SMERA

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