

Press Release

King Sumitra Trailers

June 01, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 5.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.5.00 crore bank facilities of King Sumitra Trailers (KST). The outlook is '**Stable**'.

King Sumitra Trailers (KST), a partnership firm based at Mumbai was established in 1988. The firm is manufacturer and supplier of trailers, semi-trailers and specialises in running gear trailers. The partners of firm are Mr. Suresh Kumar Arora and Mrs. Lata Arora. KST caters to very niche and specialized sector of LPG tankers/Running Gears.

Key Rating Drivers

Strengths

- **Established track record and experienced partners**

KST is in existence since 1988. The partners of the firm have experience of more than three decade in same line of business through their association with firm since inception. The key Partner, Mr. Suresh Arora has also experience in automobile and tyres industry through his association with other firms.

- **Improving Revenue**

The operating revenue of the firm improved to Rs.28.69 crore in FY2017 from Rs.16.67 crore in FY2016 mainly on account of increase in demand for their products. The firm has achieved operating revenue of Rs.42.81 crore in FY2018 (Provisional) and growing at 48.00 percent Compounded Annual Growth Rate (CAGR) from FY2014 to FY2017.

Weaknesses

- **Average financial riskprofile**

KST has average financial risk profile marked by tangible net worth of Rs.1.51 crore as on 31 March, 2017 as against Rs.0.98 crore as on 31 March, 2016. The gearing ratio (debt-equity) stood at 1.16 times in as on 31 March, 2017 which has increased from 0.54 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 5.04 times for FY2017 as against 6.22 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 3.85 times in FY2017.

- **Moderate Working capitalcycle**

The working capital cycle of the firm stood moderate marked by Gross Current Asset (GCA) days of 101 in FY2017 which has increased from 43 days in FY2016. The GCA has increased due to increase in Inventory days from 17 in FY2016 to 39 days in FY2017.

- **Competitive industry**

KST operates in a highly competitive automobile components industry characterised by a large number of unorganised and organized players in affecting margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of KST to arrive at the rating.

Outlook: Stable

Acuité believes that KST will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or 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. | 28.69 | 16.67 | 15.81 |
| EBITDA | Rs. Cr. | 0.65 | 0.37 | 0.26 |
| PAT | Rs. Cr. | 0.40 | 0.18 | 0.14 |
| EBITDA Margin | (%) | 2.26 | 2.23 | 1.66 |
| PAT Margin | (%) | 1.40 | 1.10 | 0.90 |
| ROCE | (%) | 31.91 | 29.59 | 34.50 |
| Total Debt/Tangible Net Worth | Times | 1.16 | 0.54 | - |
| PBDIT/Interest | Times | 5.04 | 6.22 | 25.98 |
| Total Debt/PBDIT | Times | 2.12 | 1.41 | - |
| Gross Current Assets (Days) | Days | 101 | 43 | 49 |

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 | 5.00 | ACUITE BB- / Stable |

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About Acuité Ratings & Research:

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