

March 30, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------------------|-----------------------|------------------------------|
| Cash Credit | 2.00 | SMERA BBB-/Stable (Assigned) |
| Inland Letter of Guarantee | 4.00 | SMERA A3 (Assigned) |
| Proposed Cash Credit | 2.00 | SMERA BBB-/Stable (Assigned) |
| Proposed FLC/BG | 6.00 | SMERA A3 (Assigned) |

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) to the Rs.14.00 crore bank facilities of Bombay JCB Earthmovers (BJCB). The outlook is '**Stable**'. The ratings are supported by the firm's established association with JCB India Limited. The ratings also draw comfort from the firm's experienced management, healthy financial risk profile and efficient working capital management. However, the ratings are constrained by the decline in the firm's operating income. The ratings are also constrained by the firm's exposure to intense competition in the construction equipment industry. The ratings note that the firm's financial profile is susceptible to withdrawal of capital.

BJCB, established in 1989, is a Navi Mumbai-based authorized dealer of heavy earth moving equipment and construction equipment manufactured by JCB India Limited. BJCB has dealership rights for Mumbai, Navi Mumbai, Thane and Raigad region. The firm benefits from its experienced management. Mr. Anil Bahl, proprietor of BJCB, has around two decades of experience in the firm's line of business.

BJCB's healthy financial risk profile is reflected in low debt-to-capital ratio of 0.19 times as on March 31, 2014 and strong net cash accruals to total debt (NCA/TD) ratio of 1.06 times in FY2013-14. The firm has comfortable coverage indicators with interest coverage ratio of 6.96 times and debt service coverage ratio (DSCR) of 6.96 times in FY2013-14. BJCB's efficient working capital management is reflected in negative working capital cycle in FY2013-14. The firm receives credit of 30-40 days from its principal, while payments from customers are realized within ~19 days.

BJCB's operating income declined from Rs.68.28 crore in FY2012-13 to Rs.49.94 crore in FY2013-14 on account of lower off take resulting from slowdown in the infrastructure sector. The firm faces intense competition from several players in the construction equipment industry. BJCB's operations are exposed to the inherent cyclicity in the infrastructure sector. The firm's financial profile is susceptible to withdrawal of capital by proprietor.

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Outlook: Stable

SMERA believes BJCB will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relation with JCB India Limited. The outlook may be revised to 'Positive' in case the firm registers substantial and sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues and profit margins. BJCB's ability to scale up operations while maintaining comfortable working capital cycle and achieving healthy profitability is a key rating sensitivity.

About the firm

BJCB, established in 1989, is Navi Mumbai-based proprietorship firm promoted by Mr. Anil Bahl. BJCB is an authorised dealer of construction equipment and earthmoving equipment manufactured by JCB India Limited. The firm has sole distribution rights for Mumbai, Navi Mumbai, Thane and Raigad region of Maharashtra.

For FY2013-14, BJCB reported net profit of Rs.1.10 crore on operating income of Rs.49.94 crore, as compared with net profit of Rs.1.61 crore on operating income of Rs.68.28 crore in FY2012-13. The firm's net worth stood at Rs.8.91 crore as on March 31, 2014, as compared with Rs.8.34 crore a year earlier.

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