

March 27, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit (Inventory Funding Scheme)	6.00	SMERA B/Stable (upgraded from SMERA B-/Stable)
Cash Credit	0.50	SMERA B/Stable (upgraded from SMERA B-/Stable)

SMERA has upgraded the rating of Vijay Shree Traders (VST) to '**SMERA B/Stable**' from '**SMERA B-/Stable**'.

The upgrade is in view of healthy revenue growth registered by the firm. The ratings continue to draw comfort from the firm's experienced management and long-standing association with Escorts Limited. However, the rating is constrained by the firm's low profitability. The rating notes that the firm faces intense competition from several players in the tractor dealership business. The ratings are also constrained by the firm's weak debt protection metrics and working capital-intensive operations.

Update

VST's revenue increased at a healthy compound annual growth rate (CAGR) of 25.61 per cent during FY2009-10 to FY2013-14. The firm's revenue increased from Rs.16.58 crore in FY2012-13 to Rs.27.00 crore in FY2013-14, a strong y-o-y growth of 62.85 per cent. The firm sold 485 tractors in FY2013-14, against 300 tractors in the previous year. VST registered revenue of Rs.24.48 crore (with sale of 430 tractors) during April 2014 to December 2014. The company's net worth stood at Rs.0.92 crore as on March 31, 2014, as compared with Rs.0.57 crore a year earlier.

VST's operating profit margin declined to 5.71 per cent in FY2013-14 from 6.20 per cent in FY2012-13. The firm's return on capital employed (RoCE) is healthy at 31.13 per cent in FY2013-14. VST's leverage (total outside liabilities to tangible net worth ratio) reduced to 8.72 times as on March 31, 2014 from 10.88 times a year earlier. VST's interest coverage ratio increased from 1.21 times in FY2012-13 to 1.23 times in FY2013-14.

Outlook: Stable

SMERA believes VST will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and exclusive dealership rights. The outlook may be revised to 'Positive' in case the firm registers significant growth in scale of operations while achieving sustained improvement in capital structure. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability amidst intensifying competition in its area of operation, or in case of deterioration in the firm's financial risk profile.

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About the firm

VST, established in 1988, is a sole proprietorship concern promoted by Mr. Harshad Shah. VST is a Shujalpur-based authorized dealer of tractors manufactured by Escorts Limited. The firm operates a 3S showroom (sales-service-spares) in Shujalpur, Madhya Pradesh. The overall operations of the firm are managed by Mr. Harshad Shah and Mr. Pankhil Shah (son of Mr. Harshad Shah).

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