

Vijay Shree Traders: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit (Inventory Funding Scheme)	2.50 (Revised from 6.00)	SMERA B/Stable (Reaffirmed)
Cash Credit	2.50 (Revised from 0.50)	SMERA B/Stable (Reaffirmed)
Fund Based (Proposed)	1.50	SMERA B/Stable (Assigned)

SMERA has reaffirmed the long term rating of '**SMERA B' (read as SMERA B)** on the Rs.5.00 crore bank facilities of Vijay Shree Traders (VST). SMERA has also assigned rating of '**SMERA B' (read as SMERA B)** on the Rs.1.50 crore bank facilities. The outlook is '**Stable**'.

The ratings continue to draw comfort from the firm's experienced management and long-standing association with Escorts Limited. Also, VST is the sole dealer in Shujalpur for Escorts Tractors. However, the ratings continue to be constrained by the firm's low profitability and intense competition in the tractor dealership business. The ratings are also constrained by the weak debt protection metrics and working capital-intensive operations.

Update

For FY2014-15 (refers to financial year, April 01 to March 31), VST registered net profit of Rs.0.29 crore on operating income of Rs.27.30 crore as against net profit of Rs.0.21 crore on operating income of Rs.27.00 crore in FY2013-14.

VST's below average financial risk profile is reflected in the gearing of 2.66 times as on March 31, 2015. The operating profit margin declined to 5.39 per cent in FY2014-15 from 5.71 per cent in FY2013-14. The return on capital employed (RoCE) is comfortable at 23.52 per cent in FY2014-15. VST's leverage (total outside liabilities to tangible net worth ratio) fell to 5.64 times as on March 31, 2015 from 8.72 times a year earlier. The interest coverage ratio increased from 1.23 times in FY2013-14 to 1.31 times in FY2014-15.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Improvement in financial risk profile

Outlook-Stable

SMERA believes that VST will continue to benefit over the medium term from the promoter's experience in the tractor industry and also being the sole dealer in Shujalpur for Escorts Tractors. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially improving its capital structure. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

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

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.27.30 crore, as compared with net profit of Rs.0.21 crore on operating income of Rs.27.00 crore in FY2013-14. The company's net worth stood at Rs.1.43 crore as on March 31, 2015 as compared with Rs. 0.92 crore a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For	Rating Outlook
			Long Term	
27 Mar, 2015	Cash Credit - Inventory Funding Scheme	6.00	SMERA B	Stable
	Cash Credit	0.50	SMERA B	Stable
10 Feb, 2014	Cash Credit - Inventory Funding Scheme	6.00	SMERA B-	Stable
	Cash Credit	0.50	SMERA B-	Stable

Contacts:

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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