



Rating Rationale

Sri Soma Sai Agencies

30 Aug 2018

Brickwork Ratings assigns BWR B (Outlook:Stable)/A4 for the Bank Loan Facilities of Rs. 9.50 Crore of Sri Soma Sai Agencies ('SSSA' or 'the firm').

Particulars

Facilities [#]	Amount (Rs. Crs)	Tenure	Ratings ^{##}
Fund Based			
Open Cash Credit	7.00	Long Term	BWR B (Outlook: Stable) Pronounced as BWR Single B Assigned
Non Fund Based			
Bank Guarantee	2.50	Short Term	BWR A4 Pronounced as BWR A Four Assigned
Total	9.50 (Rupees Nine Crore and Fifty Lakhs Only)		

[#]Annexure I provides bank wise details of facilities.

^{##} Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings Assigned

Rationale/Description of Key Rating Drivers/Rating Sensitivities:

BWR has essentially relied upon the audited financials upto FY17, Provisional financials of FY18, publicly available information and information/clarifications provided by the firm's management.

The ratings draws strength from the experience of partners in the sale and services of Mahindra Tractors business and moderate capital structure. However, the ratings are constrained by the modest scale operations, thin profitability and working capital intensive nature of operations.

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Going forward, the ability of the firm to increase its scale of operations, improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

Key Rating drivers

Strengths:

- **Partners' experience in the sale of Mahindra Tractors:** C.A.R.K. Varma have more than four decade of experience in the sales & the service of "Mahindra" Tractor, spares and agricultural implements.
- **Moderate financial risk profile:** Financial risk profile is moderate with moderate capital structure and debt protection metrics. Partners capital, gearing and interest service coverage ratio were around Rs.7.92 Crs and gearing ratio of 1.15 times, 1.08 times in FY17.
- **Locational Advantage:** The firm's showroom is located at West Godavari, Andhra Pradesh and is close to the agriculture growing belt in Andhra Pradesh, which ensures the most of the farmers eligible for tractors under the scheme of ' Rythu Ratham '.

Constraints:

- **Small scale of operations:** Firm has a track record of more than five decades yet the firm has small scale of operation considering the existence the firm.
- **Presence in intensely competitive and cyclical nature of the industry:** SSSA faces stiff competition from other Tractors dealers of Mahindra and Mahindra Limited (MML) and others. It is exposed to the cyclical nature of the agricultural industry and the operations are tightly linked to the performance MML. Any decline in MML's market share would impact the firm sale.
- **Working Capital Intensive nature of business:** Owing to high receivables and inventory the business operations of the firm are working capital intensive. The operating cycle remained long at 186 days in FY17, high receivables due to delays in payments from the Government departments.



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Rating Outlook: Stable

BWR believes **Sri Soma Sai Agencies'** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Sri Soma Sai Agencies was established in 1962 at Tadepalligudem, Andhra Pradesh. The firm has engaged in sales & the service of "Mahindra" Tractor spares and agricultural implements Etc and The firm supplies, tractors to farmers who are sanctioned by the Government under the scheme of ' Rythu Ratham '. The firm is an authorized channel partner of M&M Ltd,(FES DIVISION) Mumbai. The dealer agreement is made on 8th December 2016 with a validity period of 2 years (From 01-01-2017 To 31-12-2018). The firm unit situated at Tadepalligudem as Head office for carrying out centralized operations and having branches at Bhimavaram Devarapalli & Marteru and also service centers located at key areas in Tanuku & Akividu Villages. Mr. C.A.R.K. Varma is the managing partner of the firm

Financial Performance

Sri Soma Sai Agencies has reported a revenue of Rs.30.33 Crs and PAT of Rs.0.11 Crs for FY17 as against revenue of Rs.26.27 Crs and PAT of Rs.0.09 Crs. Partners Capital was Rs. 7.92 Crs as on 31st March 2017. Total Debt was Rs.9.11 Crs and Current ratio was 1.77 times as on 31st March 2017. On a provisional basis, the firm has reported total revenue of around Rs. 43 Crs for FY18.

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Key financial indicators are furnished in Annexure II

Rating History for the last three years

Sl. No.	Facilities	Current Ratings (Year 2018)			Ratings History		
		Type	Amount (Rs. Cr)	Ratings	2017	2016	2015
1	Open Cash Credit	Long Term	7.00	BWR B (Outlook: Stable) Assigned	NA	NA	NA
2	Bank Guarantee	Short Term	2.50	BWR A4 Assigned			
Total			9.50 (Rupees Nine Crore and Fifty Lakhs Only)				

Status of Non Cooperation with other CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Annexure I
Sri Soma Sai Agencies
Tadepalligudem, Andhra Pradesh
Details of Rated Bank Facilities

Bank	Facilities	Type	Tenure	Amount (Rs. Crs)
Andhra Bank, Tadepalligudem Branch, West Godavari, Andhra Pradesh	Open Cash Credit	Fund Based	Long Term	7.00
	Bank Guarantee	Non Fund Based	Short Term	2.50
Total				9.50

Annexure II
Key Financial Indicators

(Rs. Crore)	Units	31 March 2016 Audited	31 March 2017 Audited
Net Sales	(Rs. Crs)	26.27	30.33
EBITDA	(Rs. Crs)	0.98	1.39
Profit After Tax	(Rs. Crs)	0.09	0.11
Partners Capital	(Rs. Crs)	6.42	7.92
Total Debt: Partners Capital	Times	1.30	1.15
Current Ratio	Times	2.08	1.77

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

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