



Rating Rationale

M/s Stallion Tyres Limited

December 20, 2017

Brickwork Ratings assigns BWR BB- for the proposed bank Loan facilities aggregating Rs.20 Crs of M/s Stallion Tyres Limited (STL or the Company)

Particulars

Facility	Existing Limits Rs.Crs	Proposed Enhanced Limits Rs.in Crs	Total Exposure Rs.In.Crs	Tenure	Rating
Cash Credit	3.50	4.00	7.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook : Stable
Fund based Working capital	4.61	8.00	13.00		
Total	8.11	12.00	20.00	INR Twenty Crores Only	

¹ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note: The Client has Proposed the enhancement which is yet to be sanctioned by the Bank. The existing limit and the proposed limit is not directly in relation with Arithmetic data

Ratings Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial statements up to FY17, and projections up to FY19 and publicly available information and information/clarifications provided by the Company.

Rating draws the strength from experienced promoters in the Tyre industry, established track record of operations, established relationship with its OEM customers and suppliers. Relationship with the OEMs is reportedly the potential for future enhanced business propositions, by virtue of increasing the capacity utilization.

However the ratings are constrained by small scale of operations and reduced revenue growth y-o-y basis, working capital intensive nature of operations, low capacity utilisation, and high levels of payable period. with regard to the proposed exposure.

Going forward, the ability of the company to scale-up its operations by increasing the capacity utilisation to reach the projected revenue while improving the profitability levels, reduce the payable period and effectively manage working capital requirements and service the debt obligations



of the proposed exposure and the potential for future enhanced business proportions supported by relationship with OEMs leading to higher capacity utilization would be the key rating sensitivities.

Description of Key Rating Drivers

- **Key Rating Strengths:** Promoters have more than 4 decades of experience and established relationship with major customers like MRF Limited and Bajaj Auto Limited since 1980.
- **Key Rating Concerns:** High levels of payable period (more than 215 days average from past three years), as on 31/03/2017

About the Company:

M/s Stallion Tyres Limited, incorporated on 16-4-1971, STL is engaged in the manufacturing and trading of tyres, tubes for two-three-wheelers. The Company has its own Manufacturing facility located at Nacharam, Hyderabad, Telangana and it is spread over 12140 sq. mtrs with installed production capacity of 1.2 MT per day of tubes and 10.50 MT per day tyres and present utilization capacity is ~20 to 25%. Tyres manufactured by the company are sold under the brand name "STALLION". Mr. Madras Chinnaswamy Nandagopal, is the chairman and managing director of the company and Ms. Menaka Nanda Gopal, Ms.Sree Devi Chowdhary are the other directors of the Company. Major customers of the company are Bajaj Auto Limited, MRF Limited since 1980. The company has informed that the land owned by the company, is not revalued since inception and therefore not reflecting the true value.

Financial Performance

As per audited financial of FY17, firm has reported EBITDA of Rs.0.99 crore and PAT of Rs.0.12 crore on total operating income of Rs.7.72 crore as against EBITDA of Rs.(0.33) crore and PAT of Rs.0.12 crore on total operating income of Rs.7.93 crore in FY16. As on 31/03/2017 the Company's tangible networth stood at Rs.4.30 Crs, while Debt/Equity ratio is 1.33 times, Net Profit Margin, Operating Profit Margin, and Current Ratio have been recorded at 1.50%, 12.84 %, 1.33 times respectively. In order to reach projected revenue of FY18, STL has to increase the capacity utilization. The company states that the land owned by the company, is not revalued since inception and therefore not reflecting the true value in audited financials. The proposed exposure in the opinion of the company should be able to reach the projected revenue leading to reduction of payable days.



Rating History for the last three years

Sl. No	Instrument/ Facilities	Current Rating (Year 2017)			Rating History		
		Type	Total exposure amount including proposed (Rs. Cr)	Rating	2016	2015	2014
1	Cash Credit	Long Term	7.00	BWR BB- (BWR Double B Minus) (outlook:stable)	Not Rated	Not Rated	Not Rated
2.	Fund based Working capital		13.00				
Total			Rs.20.00 Crs (INR Twenty Crores Only)				

Status of Non Cooperation with Other CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 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.

M/s Stallion Tyres Limited

Key Parameters		FY15 (Audited)	FY16 (Audited)	FY17 (Audited)
Net Sales	₹ Crs	16.08	7.93	7.72
EBITDA	₹ Crs	0.52	-0.33	0.99
PAT	₹ Crs	0.15	0.12	0.12
Tangible Net worth	₹ Crs	4.06	4.18	4.30
Total Debt/Tangible Net worth	In X	0.70	1.56	1.33
Current Ratio	In X	1.20	1.64	1.33