Rating Rationale

Sumer Sons Autotech Pvt. Ltd.

29 December 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 16.20 Crs of Sumer Sons Autotech Pvt. Ltd.

Particulars:

Facility		Amount (Rs. in Crores)	Tenure	Rating Assigned*
Fund Based	Cash Credit (H)	6.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
	Cash Credit (BD)-sub limit	(1.50)		
	Channel Finance	6.00		
	Adhoc Limit over & above Channel Finance	2.00		
	Commercial Vehicle Inventory Funding	2.00		
NFB	Non Fund Based - BG	0.20	Short Term	BWR A4 (Pronounced as BWR A Four)
Total Facilities		16.20 (INR Sixteen Crore and Twenty Lacs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the Sumer Sons Autotech Pvt. Ltd. (SSAPL) up to FY17, publicly available information and information/clarifications provided by the company.

The rating is constrained by company's small scale of operations, poor profitability margins, modest financial risk profile risk because of high leverage and weak debt protection metrics. The rating also

factors in low scope of product differentiation and high competition in terms of cost leadership among major companies like TATA, Benz, ISUZU etc.
The rating, however derives comfort from SSAPL's association with Ashok Leyland which provides for the cushion of sustained revenues and less volatility in sales.

Going forward, ability of the company to increase its scale of operations with sustained improvement in profitability margins and significant improvement in capital structure through equity infusion or better cash accruals shall be the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Experienced management:** The directors have long experience in running transportation business and they reportedly own a fleet of 50 trucks to carry out logistics for the sister companies of the Sumer group. They are also reportedly running the consignment agencies for steel companies like Jindal Steel, Electrosteel, Rashtriya Ispat Nigam Ltd. etc for last 30 years.

- **Reputed Supplier & Diversified Customer base:** The company is the authorised dealer of Ashok Leyland's trucks & spare parts. The company caters to various businesses for their logistics needs and hence is immune to the customer concentration risk.

Weakness:

- **Weak Financial Risk Profile:** SSAPL's total debt over EBIDTA is more than six times which depicts high leverage. The weak debt protection metrics at a DSCR of 1.08 & ISCR of 1.02 also represents stressed liquidity and high financial risk profile.

- **Reduced Revenues in FY17:** The company's revenues fell near 8% in FY17. The paucity of CNG pumps & ban imposed on registration of non Euro IV compliant diesel vehicles is the reason behind reduced sales in the last year.

About the Company:

Sumer Sons Autotech Pvt Ltd.(SSAPL) is an authorized Dealer for all Ashok Leyland Vehicles since 2012. The company is an authorised dealer for Ashok Leyland's entire range of commercial vehicles including LCV, HCV, ICV and MCVs. SSAPL, in 2013, started the Light Commercial Vehicle division and currently operates from its 10,000 square yard showroom (sales, service, and spares) at Agra. The firm has achieved turnover of Rs 54 Crores for Ashok Leyland products in FY17. The company is in growing phase but it relies heavily on the market demand for Ashok Leyland's vehicles.

Rating Outlook: Stable

BWR believes that SSAPL's 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 company is able to post significant increase in its revenues with better margins. The rating outlook may be revised to 'Negative' if its financial risk profile deteriorates further.

Company's Financial Performance:

The company booked total operating income of Rs 53.92 Crores in FY17 as against Rs. 58.91 Crores in FY16. PAT stood at 0.18 Crores in FY17 as compared to Rs 0.27 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Total Operating Income	58.91	53.92
OPBDIT	2.89	3.01
PAT	0.27	0.18
Tangible Net Worth	3.15	3.33
Total Debt/TNW	5.39	6.12

Rating History for the last three years:

		Rating Assigned in Dec 17			Rating History		
Facility		Amount (Rs. in Cr)	Tenure	Rating Assigned*	FY16	FY15	FY14
Fund Based	Cash Credit (H)	6.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	NA	NA	NA
	Cash Credit (BD)-sub limit	(1.50)					
	Channel Finance	6.00					
	Adhoc Limit over &	2.00					

	above Channel Finance						
	Commercial Vehicle Inventory Funding	2.00					
NFB	Non Fund Based - BG	0.20	Short Term	BWR A4 (Pronounced as BWR A Four)			
Total Facilities		16.20 (INR Sixteen Crore and Twenty Lacs Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**

Analytical Contacts	Media
Satvinder Kumar Gakhar DGM - Ratings	media@brickworkratings.com
	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.