

**Yadav Tractor Company**

July 26, 2019

Rating			
Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.43	<b>CARE B; Stable; ISSUER NOT COOPERATING*</b> [Single B; Outlook: Stable; ISSUER NOT COOPERATING]	Issuer not cooperating; Based on best available information
Short Term Bank Facilities	3.00	<b>CARE A4;; ISSUER NOT COOPERATING*</b> [A Four; ISSUER NOT COOPERATING]	Issuer not cooperating; Based on best available information
<b>Total Facilities</b>	<b>6.43</b> <b>(Rs. Sic crore and Forty three lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated September 18, 2018 placed the rating of Yadav Tractor Company under the 'issuer non-cooperating' category as Yadav Tractor Company had failed to provide information for monitoring of the rating. Yadav Tractor Company continues to be non-cooperative despite repeated requests for submission of information through e-mail dated June 17, 2019 In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Yadav Tractor Company will now be denoted as '**CARE B; Stable/CARE A4; ISSUER NOT COOPERATING\***'.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

Detailed description of the key rating drivers at the time of last rating on September 21, 2018, the following were the rating strengths and weaknesses:

**Key Rating Weakness**
***Continuous Decline in Total Operating Income coupled with thin profitability margins and weak debt coverage indicators in intense competitive automobile industry***

TOI of the firm has shown continuously declining trend in past four financial years ended FY17 due to lower sales of tractors attributed by poor monsoon. During FY17, TOI of the firm has declined by 20.27% over FY16 (30.76% in FY16 over FY15).

Being present in the trading industry coupled with highly competitive industry, the profitability of the firm stood thin marked by PBILDT and PAT margin of 5.41% and 0.16% respectively as per provisional results of FY17. The capital structure of the firm stood moderately leveraged with an overall gearing of 1.28 times as on March 31, 2017. However, debt service coverage indicators of the firm also stood weak with total debt to GCA at 62.07 times in FY17. Further, interest coverage ratio stood moderate at 1.13 times as on March 31, 2017.

***Working capital intensive nature of operations, volume driven business with intense competition in the auto dealership industry***

The operations of the firm are working capital intensive in nature supported largely by the bank borrowings. The operating cycle of the firm deteriorated from 94 days in FY16 to 119 days in FY17 mainly on account of higher inventory period and collection period. The higher in tractor inventory holding led to more utilization of working capital bank borrowings. Further, Indian tractor industry is highly competitive in nature as there are large numbers of players operating in the market like Mahindra & Mahindra Limited, Escorts Limited, HMT Limited, Tractors & Farm Equipment Limited etc. YTC's total operating income is derived from the sale of Mahindra tractors and hence its performance is highly dependent on the performance of Mahindra & Mahindra, its key principal.

**Key Rating Strengths**

**Experienced partner with long track record of operation through association with Mahindra & Mahindra** The firm was established in 1990 and hence, has a track record of more than two decade. Mr. Dwarika Prasad Yadav and Mr. Ram Singh Yadav, partners, have more than two decade of experience in dealership industry and looks after overall affairs of the firm. The promoters of the firm are assisted by second tier management. YTC is engaged in the automobile dealership business and has a long standing association with its principal, Mahindra and Mahindra. Currently, the company operates four showrooms along with workshops for after sale services at Lucknow.

**Analytical approach:** Standalone

**Applicable Criteria:**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Methodology – Manufacturing sector](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

**About the Firm**

Lucknow (Uttar Pradesh) based Yadav Tractor Company (YTC) was formed in 1990 by Mr. Dwarika Prasad Yadav and Mr. Ram Singh Yadav as a partnership concern and shares equal profit & loss. YTC is an authorized dealer of Mahindra tractors and operates total four showrooms along with workshops for after sale services at Lucknow. Also, the firm is engaged in the trading of implements, spare parts, insecticides and pesticides.

YTC belongs to Yadav Loha Bhandar Group (YLB group). The group is also promoting Yadav Loha Bhandar Private Limited (YLBPL), authorized dealer of TATA iron rods/ pipes and ACC cement, Dwarika Industries Limited (DIL) and Rukmani Cold Storage Private Limited (RCSL) is engaged in the business of storage of potatoes and seeds. Dwarika Krishi Limited (DKL) is engaged in the business of trading of seeds, pesticide and other agriculture material and Yadav Motor Company (YMC) is authorized dealer of Mahindra two wheelers and operates two showrooms at Lucknow.

**Status of non-cooperation with previous CRA** – India Ratings has conducted the review and has classified Yadav Tractor Company as “Not Cooperating” vide its press release dated May 22, 2018

**Any other information** – Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.43	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	3.43	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (27-Sep-18)	1)CARE B+; Stable (20-Feb-18)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (27-Sep-18)	1)CARE A4 (20-Feb-18)	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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