

Yadav Tractor Company

September 27, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	3.43	CARE B; Stable ISSUER NOT COOPERATING* (Single B: Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; (Single B Plus; Outlook: Stable) on the basis of best available information
Short-term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (CARE A4: ISSUER NOT COOPERATING*)	Reaffirmed
Total	6.43 (Rs. Six Crore Forty Three Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Yadav Tractor Company, to monitor the rating(s) vide e-mail communications/ letters dated September 12, 2018, August 14, 2018, August 13, 2018, July 30, 2018, July 19, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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's bank facilities **CARE B; Stable /CARE A4; ISSUER NOT COOPERATING***.

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

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by Yadav Tractor Company. Further, the ratings are constrained on account of continuous decline in Total Operating Income (TOI) with thin profitability margin and weak debt coverage indicators. The ratings are, further, constrained on account of working capital intensive nature of operations and volume driven business in highly intensive auto dealership industry. The ratings, however, favorably take into account the experienced partner with long track record of operation through association with Mahindra & Mahindra Limited.

Detailed description of the key rating drivers

At the time of last rating on February 20, 2018, the following were the rating strengths and weaknesses

Credit Risk Assessment

Key Rating Weaknesses

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 PBILD 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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer not cooperating on the basis of best available information

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology- Wholesale Trading](#)

[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.

Brief Financials (Rs. crore)	FY16(A)	FY17(A)
Total operating income	18.25	14.55
PBILDT	0.80	0.79
PAT	0.02	0.02
Overall gearing (times)	2.22	1.28
Interest coverage (times)	1.10	1.13

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; 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*; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	3.43	CARE B; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING*; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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*; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (20-Feb-18)	-	-

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