



March 2, 2010

## ICRA assigns LBB (stable)/A4 ratings to the bank facilities of Sri Jayarama Automotives Private Limited

ICRA has assigned an LBB (pronounced as L double B) rating to the Rs. 80.0 million fund-based facilities of Sri Jayarama Automotives Private Limited ("JAPL"/ "the Company")<sup>†</sup>. The outlook on the rating is stable. ICRA has also assigned an A4 (pronounced as A four) rating to Rs. 40.0 million non-fund based bank limits of JAPL<sup>†</sup>.

The ratings are constrained by JAPL's thin profit margins and high working capital intensity – both inherent in the automotive dealership business. The ratings also factor in the moderate scale of operations of the company restricting economies of scale and financial flexibility. The company's capital structure is stretched with a gearing of 2.3 times (as on March 31, 2009), although most of the debt is related to working capital borrowings and inventory funding. JAPL has strong market position among the tractor dealers in Mahabubnagar district with a market share of 75% (during 9 months ending Dec 31, 2009). The company's dealerships in Exide batteries, Ceat tyres and Elf lubricants provide some diversification to its revenue streams. The ratings also incorporate the significant experience of the promoter of more than three decades in automotive dealership business.

### About the Company

Sri Jayarama Automotives Private Limited ("JAPL"/ "the Company") is the authorised dealer for Mahindra & Mahindra (M&M) tractors and spares for the district of Mahabubnagar in Andhra Pradesh. The company is also an authorised dealer for Exide Batteries, Ceat Tyres and ELF Lubricants for the district of Mahabubnagar. JAPL also trades in trailers and agriculture implements which are manufactured by its sister concern "Sri Rama Engineering Company". The company was established as a proprietorship in the year 1984 and was converted into a private limited company during the year 2005. The promoter and his family hold the entire 100% equity capital of JAPL.

### Recent performance

The Company reported operating income of Rs.500 million for the nine months ending December 31, 2009, against net profit after tax of Rs. 4.5 million on operating income of Rs.570.7 million for year ending March 31, 2009.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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