



July 29, 2010

ICRA reaffirms the LBBB(Stable) and A2 ratings for bank facilities of The Yamuna Syndicate Limited, rated amount enhanced

ICRA has reaffirmed the LBBB (pronounced L triple B) rating to the Rs 99 million fund based limits (enhanced from Rs 75.00 million) and A2 (pronounced A two) rating to the Rs 3.0 million non fund based limits of The Yamuna Syndicate Limited (YSL) †. The long term rating assigned carries a stable outlook.

The rating takes into account YSL's established position in the automobile dealership business (particularly, tractors), established network among manufacturers, suppliers, customers, co dealers and banks in auto trade, diversified product portfolio and a strong distribution network. The rating also factors in the favorable demand prospects for all the product categories especially tractors segment which in which YSL have a presence and satisfactory margins and profitability of the company. Further, YSL is backed by a strong associate in the Saraswati Industrial Syndicate Ltd. (SISL), which is a diversified industrial group with interests in sugar, heavy engineering, steel casting and projects. The ratings are however constrained by relatively small size of operations; strong competitive pressures in the trading business and the high concentration risk arising out of the fact that majority of revenues are from the vehicles segment. The rating is also constrained by the relatively high working capital requirement in the business, which has resulted in limited cash generation (i.e net cash accruals less working capital changes) from operations. Going forward the outlook of the auto sector particularly the tractor segment will be the key rating sensitivity.

Company Profile

The Yamuna Syndicate India Ltd (YSL), incorporated in 1954, is a trading & marketing company and deals in a wide variety of product segments like Tractors, Servo Industrial Lubricants, Gulf Automotive Lubricants, Amaron Batteries, Electrical goods, Pesticides, Fertilizers and Sugar. The company started with a single office in 1954, and has since expanded its distribution network to 22 outlets and offices, spread over in parts of Haryana, Punjab, Himachal Pradesh and Uttar Pradesh and an office at Chandigarh.

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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

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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