

February 12, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BB/Stable (Assigned)
Adhoc limit	0.50	SMERA A4+ (Assigned)
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Inventory Funding	2.50	SMERA BB/Stable (Assigned)
Channel Financing	4.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.20.00 crore bank facilities of Budhia Agencies Private Limited (BAPL). The outlook is '**Stable**'. The ratings derive comfort from the company's established association with Tata Motors Limited. The ratings are also supported by the company's healthy revenue growth and experienced management. However, the ratings are constrained by the company's moderate financial risk profile. The ratings are also constrained by the company's exposure to intense competition in the automobile dealership business. The ratings note that the company is susceptible to the inherent cyclical in the automobile industry.

BAPL, established in 2002, is a Jharkhand-based authorized dealer of Tata Motors Limited. BAPL undertakes sale of light commercial vehicles (LCVs) and medium & heavy commercial vehicles (M&HCVs). The company's revenues have increased at a healthy compound annual growth rate (CAGR) of 16.85 per cent over the past five years despite slowdown in the automobile sector. BAPL's operating profit margin has increased from 1.99 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 2.20 per cent in FY2013-14.

BAPL benefits from its experienced management. Mr. Rajendra Prasad Budhia and Mr. Rahul Budhi, directors of BAPL, have around six decades of experience in the automobile dealership business. The company also benefits from its established association with Tata Motors Limited. BAPL is the only dealer of Tata Motors' M&HCVs in Ranchi.

BAPL's moderate financial risk profile is marked by gearing (debt-to-equity ratio) of 2.02 times as on March 31, 2014. The company's total debt of Rs.9.34 crore (as on March 31, 2014) mainly comprises working capital loans. BAPL's operations are working capital-intensive. The company's utilisation of bank facilities is high at ~90 per cent during peak seasons. BAPL also avails adhoc facilities to support its operations. The company's interest coverage ratio is moderate at 1.64 times in FY2013-14. BAPL faces intense competition from dealers of other automobile companies such as Mahindra and Ashok Leyland.

BAPL's operations are susceptible to the inherent cyclical in the automobile industry. The company sold 991 vehicles during April 2014 to December 2014, as compared with 1,263 vehicles during the corresponding period of the previous year.

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Outlook: Stable

SMERA believes BAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operations, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

BAPL, incorporated in 2002, is a Jharkhand-based company promoted by Mr. Rajendra Prasad Budhia. BAPL is an authorized dealer of commercial vehicles manufactured by Tata Motors Limited (TML). BAPL commenced LCV dealership in 2007 and M&HCV dealership in 2012. The company has six 3S (sales-service-spares) facilities and 12 retail outlets. BAPL also operates a service centre in Ranchi.

For FY2013-14, BAPL reported profit after tax (PAT) of Rs.0.42 crore on operating income of Rs.99.32 crore, as compared with PAT of Rs.0.29 crore on operating income of Rs.93.98 crore in FY2012-13. The company's net worth stood at Rs.4.62 crore as on March 31, 2014, as compared with Rs.3.70 crore a year earlier.

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