



SMERA RATINGS LIMITED

# Batra Auto Company (BAC)

## Rating Rationale

**June 17, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	34.00	SMERA BB-/Stable (Reaffirmed)
Cash Credit (under dealer finance)	9.50	SMERA BB-/Stable (Assigned)

SMERA has reaffirmed the long-term rating of '**SMERA BB-' (read as SMERA Double B minus)** on the Rs.34.00 crore bank facility and assigned a long-term rating of '**SMERA BB-' (read as SMERA Double B minus)** to the Rs.9.50 crore bank facility of Batra Auto Company (BAC). The outlook is '**Stable**'. The rating is constrained by the firm's average financial risk profile, limited geographical presence and working capital intensive nature of business. The rating is also constrained by the firm's exposure to intense competition prevalent in the automobile dealership industry. However, the rating is supported by the firm's experienced management and modest net worth.

BAC, incorporated in 1999, is an authorized dealer of Maruti Suzuki India Limited for sale and service of cars. The firm's financial risk profile is average marked by moderate gearing of 1.61 and interest coverage of 1.25 times as on March'2014. The firm is exposed to geographical concentration risk with operations restricted to the Delhi NCR region. Besides, the firm faces intense competition from other dealers of Maruti Suzuki India Limited and other major automobile companies such as Toyota, Ford and Honda. Additionally, the operations of the firm are working capital intensive, reflected in the cash credit limit utilization of around 96 per cent from April 2014 to March 2015.

However, BAC benefits from its experienced management. Mr. Sushil Kumar Batra, partner, has around 15 years of experience in running the business. The firm has a modest net worth of Rs.26.86 crore as on March, 2014.

### **Outlook: Stable**

SMERA believes BAC will have a moderate business risk profile in the medium term on the back of experience of the partner. The outlook may be revised to 'Positive' in case of increase in the scale of operation, improvement in profitability and coverage indicators and better working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in capital structure.

### **About the Firm**

BAC, established in 1999, is a Faridabad-based partnership firm promoted by Mr. Sushil Kumar Batra. The firm is an authorized dealer of cars manufactured by Maruti Suzuki India Limited. The firm has a showroom and service center in Faridabad, Haryana.

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For FY2013-14, BAC reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.189.69 crore, as compared with PAT of Rs.0.67 crore on operating income of Rs.166.71 crore for FY2012-13. The firm's net worth stood at Rs.26.86 crore as on March 31, 2014, as compared with Rs.25.51 crore a year earlier.

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