

May 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Loan Against Property	2.00	SMERA BB-/Stable (Assigned)
Inventory Funding	4.00	SMERA A4 (Assigned)
Cash Credit	6.00	SMERA BB-/Stable (Assigned)
Trade Advance	1.50	SMERA A4 (Assigned)
Channel Financing	3.00	SMERA A4 (Assigned)
Trade Advance	8.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4**' (**read as SMERA A four**) to the Rs.24.50 crore bank facilities of Auto Axis Private Limited (AAPL). The outlook is '**Stable**'. The ratings draw 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 below-average 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.

AAPL, incorporated in 2006, is an Assam-based authorized dealer of commercial vehicles manufactured by Tata Motors Limited (TML). AAPL undertakes sale of light commercial vehicles (LCVs) and medium & heavy commercial vehicles (M&HCVs). The company has registered healthy revenue growth of 21 per cent (compound annual growth rate) over the past five years. AAPL's operating profit margin has increased from 2.46 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 3.07 per cent in FY2013-14.

AAPL benefits from its experienced management. Mr. Ravi Kumar Himatsingka and Mr. Anil Kumar Himatsingka, directors of AAPL, have around two decades of experience in the automobile dealership business. The company also benefits from its established association with Tata Motors Limited. AAPL is the sole dealer of Tata Motors' M&HCVs in Jorhat, Golaghat and Nogaon districts of Assam.

AAPL's below-average financial risk profile is marked by high gearing (debt-to-equity ratio) of 5.27 times as on March 31, 2014 and moderate interest coverage ratio of 1.45 times in FY2013-14. The company's total debt of Rs.22.93 crore (as on March 31, 2014) mainly comprises working capital loans. AAPL's bank limit utilisation is high at ~99 per cent in peak seasons, during which the company avails adhoc facilities to support its operations. AAPL faces intense competition from several dealers of other automobile companies such as Mahindra & Mahindra and Ashok Leyland.

AAPL's operations are exposed to the inherent cyclical in the automobile industry.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes AAPL 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

AAPL, incorporated in 2006, is an Assam-based company promoted by Mr. Anil Kumar Himatsingka and Mr. Ravi Kumar Himatsingka. AAPL is an authorized dealer of commercial vehicles manufactured by Tata Motors Limited (TML).

AAPL has two 3S (sales-service-spares) facilities and five retail outlets. The company is authorized to collect loan instalments from customers on behalf of Tata Motors Finance Limited and Tata Motors Financial Services Limited.

For FY2013-14, AAPL reported profit after tax (PAT) of Rs.0.53 crore on operating income of Rs.130.31 crore, as compared with PAT of Rs.0.45 crore on operating income of Rs.152.91 crore in FY2012-13. The company registered operating income of Rs. 196.59 crore (provisional) in FY2014-15. AAPL's net worth stood at Rs.4.35 crore as on March 31, 2014, as compared with Rs.3.30 crore a year earlier. The company sold ~2,263 vehicles in FY2014-15, as compared with 1,939 vehicles in FY2013-14.

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