

Auto Axis Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs. Crore)	Ratings/Outlook
Loan Against Property	1.00 (revised from 2.00)	SMERA BB-/Stable (Reaffirmed)
Inventory Funding	4.00	SMERA A4 (Reaffirmed)
Cash Credit	6.00	SMERA BB-/Stable (Reaffirmed)
Trade Advance	1.50	SMERA A4 (Reaffirmed)
Channel Financing	4.00 (enhanced from 3.00)	SMERA A4 (Reaffirmed)
Trade Advance	12.50 (enhanced from 8.00)	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long term ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.29 crore bank facilities of Auto Axis Private Limited (AAPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's established association with Tata Motors Limited and experienced management. However, the ratings are constrained by the below-average financial risk profile and intense competition in the automobile dealership business. The ratings also note the susceptibility of the company to the inherent cyclicity in the automobile industry.

Update

AAPL registered growth of 52 per cent from FY2014 due to higher sales of Medium and Heavy Commercial Vehicles (M&HCV) and mini trucks such as Ace and Zip. The company reported marginally higher revenue of Rs198.03 crore in FY2015 compared to Rs 130.31 in FY2014. However, the same declined to Rs.179.51 crore in FY2016 (Provisional). The operating margins fell to 2.23 per cent in FY2015 from 3.07 per cent in FY2014. The gearing ratio has improved from 5.27 times in 2014 to 4.77 times in 2015. The interest coverage also improved to 1.68 times in 2015 compared to 1.45 times in 2014.

Rating Sensitivity Factors

- Improvement in the capital structure
- Continued relationship with Tata Motors
- Extent of debt-funded capex mix

Outlook-Stable

SMERA believes that AAPL will maintain a stable outlook and continue to benefit over the medium term from the promoters vast experience in the dealership business. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates further owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the rating:

- Trading entities

About the Company

The Assam-based AAPL was incorporated in 2006 by Mr. Anil Kumar Himatsingka and Mr. Ravi Kumar Himatsingka. The company began operations in 2007 as a dealer for Light Commercial Vehicles (LCVs) and M&HCVs of TATA Motors. It also deals in spare parts, accessories and undertakes servicing of vehicles.

AAPL has two 3S (Sales, Service and Spares) facilities (Jorhat and Nogaon) and five sales outlets with yet another facility coming up at Golaghat, Assam.

For FY2014-15, AAPL reported profit after tax (PAT) of Rs.0.62 crore on total operating income of Rs.198.03 crore, as compared with PAT of Rs.0.53 crore on total operating income of Rs.130.31 crore in FY2013-14.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Ratings		Rating/Outlook
			Long Term	Short Term	
11, May 2015	Loan against Property	2.00	SMERA BB-(Assigned)		Stable
	Inventory Funding	4.00		SMERA A4 (Assigned)	
	Cash Credit	6.00	SMERA BB-(Assigned)		Stable
	Trade Advance	1.50		SMERA A4 (Assigned)	
	Channel Financing	3.00		SMERA A4 (Assigned)	
	Trade Advance	8.00		SMERA A4 (Assigned)	

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ABOUT SMERA

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