

July 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Inventory Funding (e-DFS)	5.00	SMERA A4 (Assigned)
Proposed Cash Credit	2.00	SMERA B+/Stable (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.00 crore bank facilities of Singh Cycle and Motor Co. (SCMC). The outlook is '**Stable**'. The ratings derive comfort from the firm's established association with Chevrolet and Hero Motocorp Limited (HML). The ratings are also supported by the firm's long track record of operations and experienced management. However, the ratings are constrained by the firm's moderate financial risk profile and uneven revenue trend & profit margins. The ratings are also constrained by the firm's exposure to intense market competition and susceptibility to the inherent cyclicity in the automobile industry.

SCMC, established in 1955, is a Pune-based authorized dealer of Chevrolet and Hero Motocorp Limited for selling four wheelers and two wheelers respectively, spare parts, accessories and servicing of vehicles. SCMC benefits from its experienced management. Mr. Palvinder Singh Bedi, the managing partner, has more than six decades of experience in the automobile dealership business. The company also benefits from its established association with HML and Chevrolet.

SCMC's moderate financial risk profile is marked by gearing (debt-to-equity ratio) of 4.00 times as on March 31, 2014. As per provisional's, the firms gearing has improved to 2.77 times as on March 31, 2015. The company's total debt of Rs.13.56 crore (as on March 31, 2015) mainly comprises of working capital loans. The firm has advanced Rs.1.99 crore to related parties and has unsecured loans of Rs.0.39 crore which is subordinated to bank debt. SCMC's interest coverage ratio is moderate at 1.51 times in FY2014-15. The company's average utilization of working capital facilities is 75 – 80 per cent. The firm also avails of business loans to meet working capital requirements.

SCMC's revenue trend has been uneven during the period under study and the same has declined by 22 per cent in FY2014-15 over FY2013-14. The operating profit margin declined to 2.48 per cent in FY2013-14 from 3.05 per cent in FY2012-13. However, in FY2014-15, on account of higher contribution from service income and incentives received, the operating margin improved to 4.45 per cent (provisional). SCMC faces intense competition from several dealers of other automobile companies such as Maruti Suzuki, Honda, Bajaj Auto and Yamaha. The firms' operations are exposed to the inherent cyclicity in the automobile industry.

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Outlook: Stable

SMERA believes, the firm will maintain its business risk profile on the back of extensive business experience of promoters and relationship with Chevrolet and HML. The outlook may be revised to 'Positive' if the improvement in its capital structure is significantly better than expected while maintaining a steady revenue growth and margin improvement. The outlook may be revised to 'Negative' in case SCMC records significant decline in revenues and profitability, or in case of larger than expected debt to fund its working capital requirements, leading to further deterioration in its financial risk profile.

About the Firm

Singh Cycle and Motor Co. (SCMC), established in 1955, is a Pune-based partnership firm promoted by Mr. Palvinder Singh Bedi. The firm is an authorized dealer of Chevrolet and Hero Motocorp Limited (HML). For Chevrolet, it is engaged in sale of new cars, pre-owned cars, spare parts and accessories and servicing of vehicles. For HML, it is engaged in the sale of motorcycles and scooters, spares and servicing. The firm has two showrooms of HML and Chevrolet each and a specialized workshop in Pune.

For FY2013-14, SCMC reported net loss of Rs.0.52 crore on operating income of Rs.92.13 crore, as compared with PAT of Rs.0.41 crore on operating income of Rs.83.79 crore in FY2012-13. For FY2014-15, SCMC reported PAT of Rs.0.42 crore (provisional) on operating income of Rs.72.29 crore (provisional). The firm's net worth stood at Rs.3.68 crore as on March 31, 2014, as compared with Rs.1.98 crore a year earlier.

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