



SMERA RATINGS LIMITED

Jyoti Automobiles Private Limited (JAPL)

*Rating
Rationale*

August 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	4.48	SMERA BB/Stable (Assigned)
Overdraft#	4.50	SMERA BB/Stable (Assigned)
Inventory Funding	3.55	SMERA A4+ (Assigned)
Cash Credit (e-DFS)	6.50	SMERA A4+ (Assigned)
Adhoc Limit	1.95	SMERA A4+ (Assigned)
Channel Financing	3.00	SMERA A4+ (Assigned)
Bank Guarantee	0.50	SMERA A4+ (Assigned)

#Includes Working Capital Demand Loan as a sublimit to the extent of Rs.3.00 crore

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.24.48 crore bank facilities of Jyoti Automobiles Private Limited (JAPL). The outlook is '**Stable**'. The ratings derive comfort from the company's healthy revenue growth and stable profit margins. 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. The ratings note that the company's operations are susceptible to the inherent cyclicity in the automobile sector.

JAPL, incorporated in 1998, is a Bhiwadi-based authorized dealer of passenger vehicles (PVs) manufactured by MSIL. JAPL has registered healthy revenue growth of 32 per cent (compound annual growth rate) over the past three years. The company sold 2,273 new cars in FY2014-15, as compared with 1,694 new cars in FY2013-14. JAPL's revenue increased from Rs.85.64 crore in FY2013-14 to Rs.110.21 crore (provisional) in FY2014-15. JAPL has maintained stable operating profit margin (3.50-3.60 per cent) during the period under study. The company registered operating profit margin of ~3.49 per cent (provisional) in FY2014-15.

JAPL's moderate financial risk profile is marked by gearing (debt-equity ratio) of 4.13 times as on March 31, 2014 (~2.65 times as on March 31, 2015). Further, Total outside liabilities to Tangible Networth (TOL/TNW) stands high at 4.98 times as on March 31, 2014 (4.55 times as on March 31, 2015). The company's total debt of Rs.16.11 crore (as on March 31, 2014) mainly comprises working capital facilities. JAPL has five term loans outstanding as on date. The company's interest coverage ratio is moderate at 1.69 times in FY2013-14. JAPL's operations are working capital-intensive. The company's utilisation of bank facilities was high at ~90 per cent for the six months ended March 2015. JAPL also avails adhoc facilities to support its operations.

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JAPL faces intense competition from dealers of other automobile companies such as Hyundai and Tata Motors. The company's operations are susceptible to the inherent cyclicalities in the automobile sector.

Outlook: Stable

SMERA believes JAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while maintaining comfortable profit margins. The outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition, 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

JAPL, incorporated in 1998, is a Bhiwadi-based company promoted by Mr. Sanjay Nakra and Mr. Rajeev Nakra. JAPL is an authorized dealer for Maruti Suzuki India Limited (since 2009). The company is engaged in sale of new vehicles, pre-owned vehicles (under 'True Value'), spare parts and accessories. JAPL also undertakes servicing of vehicles. The company operates a driving school under the name of 'Maruti Driving School'. JAPL has received dealership of Honda Motors in March 2015.

For FY2013-14, JAPL reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.85.64 crore, as compared with PAT of Rs.0.33 crore on operating income of Rs.68.62 crore in FY2012-13. The company registered PAT of Rs.0.80 crore (provisional) on operating income of Rs.110.21 crore (provisional) in FY2014-15. JAPL's net worth stood at Rs.3.90 crore as on March 31, 2014, as compared with Rs.2.92 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Vinay Chhawchharia Associate Vice President – Operations Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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