

### Jyoti Automobiles Private Limited: Reaffirmed

| Facilities                     | Amount (Rs Crore)           | Ratings/Outlook              |
|--------------------------------|-----------------------------|------------------------------|
| Term Loan                      | 8.43<br>(Revised from 4.48) | SMERA BB/Stable (Reaffirmed) |
| Overdraft#                     | 5.50<br>(Revised from 4.50) | SMERA BB/Stable (Reaffirmed) |
| Inventory Funding              | 3.55                        | SMERA A4+ (Reaffirmed)       |
| Cash Credit (e-DFS)            | 6.50                        | SMERA A4+ (Reaffirmed)       |
| Adhoc Limit                    | 1.95                        | SMERA A4+ (Reaffirmed)       |
| Channel Financing              | 3.00                        | SMERA A4+ (Reaffirmed)       |
| Bank Guarantee                 | 0.50                        | SMERA A4+ (Reaffirmed)       |
| Proposed Fund Based Facilities | 0.57                        | SMERA BB/Stable (Assigned)   |

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

SMERA has reaffirmed the ratings of **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** on the Rs.29.43 crore bank facilities of Jyoti Automobiles Private Limited (JAPL). The outlook is **'Stable'**. SMERA has also assigned ratings of **'SMERA BB' (read as SMERA double B)** on the Rs.0.57 crore bank facilities.

The ratings continue to derive comfort from the company's established association with Maruti Suzuki India Limited (MSIL) and Honda Motors, the diversified revenue profile and improvement in margins. However, the ratings are constrained by the moderate financial risk profile and susceptibility to inherent cyclicity in the automobile industry. The ratings also factor in the intense competition in the automobile dealership business.

### Update

JAPL's revenues increased from Rs.111.54 crore in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.125.81 crore in FY2015-16 on account of revival of the auto industry. The operating margin improved over the years from 3.58 per cent in FY2014-15 to 3.82 per cent in FY2015-16.

The company continues to have a moderate financial risk profile. The gearing stands high at 4.39 times as on March 31, 2016 (3.68 times as on March 31, 2015). The total debt of Rs.29.83 crore however, mainly consists of working capital facilities of Rs.24.22 crore as on March 31, 2016. The interest coverage ratio has marginally declined from 1.92 times in FY2014-15 to 1.80 times in FY2015-16 on account of increase in interest cost.

JAPL's operations are working capital-intensive. The gross current asset days have increased from 58 days in FY2014-15 to 83 days in FY2015-16 due to increase in inventory holding. The utilisation of bank facilities is high and JAPL also avails adhoc facilities to support its operations.

The company faces intense competition from dealers of other automobile companies such as Hyundai and Tata Motors. Besides, the operations are susceptible to the inherent cyclicity in the automobile sector.

### Rating Sensitivity Factors

- Scaling up of operations while maintaining operating margins
- Efficient working capital management
- Maintaining comfortable liquidity position
- Improvement in capital structure

### Outlook: Stable

SMERA believes that JAPL will continue to maintain a stable outlook over the medium term owing to its experienced management and established association with MSIL. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve the projected scalability in revenues or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

### Criteria applied to arrive at the ratings:

- Trading Entities

### About the Company

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

For FY2015-16, JAPL reported PAT of Rs.1.14 crore on operating income of Rs.125.81 crore, as compared with PAT of Rs.0.95 crore on operating income of Rs.111.54 crore in the previous year.

### Rating History

| Date               | Facilities             | Amount<br>(Rs. Crore) | Ratings                |                         | Rating<br>Outlook |
|--------------------|------------------------|-----------------------|------------------------|-------------------------|-------------------|
|                    |                        |                       | Long Term              | Short Term              |                   |
| 18 August,<br>2015 | Term Loan              | 4.48                  | SMERA BB<br>(Assigned) | -                       | Stable            |
|                    | Overdraft#             | 4.50                  | SMERA BB<br>(Assigned) | -                       | Stable            |
|                    | Inventory Funding      | 3.55                  | -                      | SMERA A4+<br>(Assigned) | -                 |
|                    | Cash Credit<br>(e-DFS) | 6.50                  | -                      | SMERA A4+<br>(Assigned) | -                 |
|                    | Adhoc Limit            | 1.95                  | -                      | SMERA A4+<br>(Assigned) | -                 |
|                    | Channel Financing      | 3.00                  | -                      | SMERA A4+<br>(Assigned) | -                 |
|                    | Bank Guarantee         | 0.50                  | -                      | SMERA A4+<br>(Assigned) | -                 |

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



**Contacts:**

| Analytical   | Business Development   |
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| Mr. Mohit Jain<br>Vice President – Ratings Operations,<br>Tel: +91-22-6714 1105<br>Cell: 9619911017<br>Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a> | Mr. Suman M<br>Vice President – Business Development,<br>Corporate Ratings<br>Tel: +91-22-6714 1151<br>Cell: +91-9892306888<br>Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a> |

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