

August 24, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	2.04	SMERA BB/Stable (Assigned)
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Inventory Funding	12.58	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.19.62 crore bank facilities of Sehgal Autoriders Private Limited (SAPL). The outlook is '**Stable**'. The ratings derive support from the revenue growth and moderate financial risk profile. The ratings also factor in the company's long association with Maruti Suzuki India Limited (MSIL) and Hero MotoCorp (Hero). However, the ratings are constrained by the thin operating profit margins and the inherent cyclical nature in the auto dealership industry.

Outlook: Stable

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

Rating Sensitivity Factors

- Scaling up of operations
- Improvement in operating margins
- Working capital management

About the Company

SAPL, incorporated in 1998 is a Pune-based authorised dealer for Hero Honda (now Hero MotoCorp) since 1998 and Maruti Suzuki India Limited (MSIL) since 2010. The company is engaged in the sale of new and pre-owned vehicles (under True Value), two wheeler spare parts and accessories and also undertakes vehicle servicing. The company is managed by Mr. Nicky Sehgal, Director, who has around 15 years of experience in this industry.

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For FY2013-14, SAPL reported profit after tax (PAT) of Rs. 0.87 crore on operating income of Rs.199.82 crore as against net loss of Rs.0.99 crore on operating income of Rs. 186.24 crore for FY2012-13. For FY2014-15, SAPL reported PAT of Rs.0.61 crore (provisional) on operating income of Rs.211.60 crore. The company's net worth stands at Rs.7.24 crore as on March 31, 2014 as compared with Rs. 5.85 crore a year earlier.

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