



SMERA RATINGS LIMITED

Hoshiarpur Automobiles (HA)

Rating Rationale

August 28, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	5.95	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs. 5.95 crore bank facilities of Hoshiarpur Automobiles (HA). The outlook is '**Stable**'. The rating draws support from the firm's long track record of operations in the automobile industry and experienced management. The ratings are also supported by the moderate financial risk profile and growth in revenues backed by opening of new showrooms and workshops. However, the rating is constrained by the working capital intensive nature of business and exposure to intense competition from dealers of other automobile companies such as Skoda, Toyota and Ford operating in the city of Punjab.

Outlook: Stable

SMERA believes HA will maintain a stable business risk profile in the medium term on account of an upcoming product launch from Maruti Suzuki and an experienced management. The outlook may be revised to 'Positive' in case of increase in the scale of operations and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Efficient working capital cycle

About the Firm

The Punjab-based HA, established in 1980 is an authorised dealer of Maruti Suzuki with a showroom and service center in Punjab. Promoted by Mr. Ajvinder Singh, the firm also undertakes sale of second hand cars through the True Value channel.

For FY2013-14, HA reported net profit of Rs.1.17 crore on operating income of Rs.149.53 crore, as compared with net profit of Rs.0.94 crore on operating income of Rs.126.01 crore in FY2012-13. The firm's net worth stood at Rs.7.42 crore (including unsecured loan of Rs.0.22 crore) as on March 31, 2014, as compared with Rs.5.88 crore a year earlier.

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