

Press Release

Pandit Automobiles Private Limited (PAPL)

6 December, 2017



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 14.65 Cr. (Enhanced from Rs. 13.26 Cr.)
Long Term Rating	SMERA BB /Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

*Refer annexure for details

SMERA has upgraded the long-term and short rating to '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A4 plus) from '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4**' (read as SMERA A4) respectively on the above facilities. SMERA has also assigned long term rating of '**SMERA BB**' (read as SMERA double B) on the Rs.1.46 crore bank facility of Pandit Automobiles Private Limited (PAPL). The outlook is '**Stable**'.

The upgrade reflects improvement in the company's healthy revenue growth and improvement in debt protection metrics. The rating continues to draw comfort from the company's experienced management and established association with Maruti Suzuki India Limited (MSIL).

The Haryana-based PAPL established in 1998 is an authorised dealer of Maruti Suzuki India Limited (MSIL). The company, promoted by Mr. Jitender Sharma has a showroom and service centre in Yamunanagar, Haryana. PAPL undertakes sale of second hand cars through the True Value Channel. The company also runs NEXA showroom which commenced operations from July 2016 at Yamuna Nagar, Haryana.

Key rating drivers

Strengths

Experienced management

PAPL benefits from its experienced management. The Director, Mr. Jitender Sharma has around two decades of experience in the automobile dealership business.

SMERA believes that PAPL will continue to benefit from its experienced management and established relationship with MSIL.

Moderate business risk profile

PAPL registered healthy revenue growth of ~39.23 per cent in FY2016- 17 over the previous year. Revenue stood at Rs.116.28 crore in FY2016-17as against Rs.83.52 crore in FY2015-16. The sales volumes increased from 1706 cars in FY2016-17 as against 1553 cars in FY2016.

The operating margins marginally improved from 2.45 per cent in FY2015-16 to 2.56 per cent in FY2016-17.

SMERA believes that PAPL will maintain a stable outlook on the back of its established market presence in Haryana.

Above average financial risk profile with comfortable liquidity

PAPL has an above average financial risk profile marked by tangible networth of Rs.5.21 crore as on 31 March, 2017 as against Rs.4.71 crore as on 31 March, 2016. The networth consists of unsecured loan of Rs. 1.54 crore which is fully subordinated to bank debt. The gearing stood at 3.50 times as on 31 March, 2017 as against 2.59 times as on 31 March, 2016 mainly on account of increase in working capital requirement. The total debt of Rs.18.25 crore as on 31 March, 2017 comprises majorly of working capital loan of Rs. 16.21 crore, term loan of Rs. 1.62 crore and current portion of long term debt (CPLTD) of Rs.0.42 crore.

PAPL has a moderate interest coverage ratio of 1.72 times in FY2016-17 as against 1.66 times in FY2015-16. Going forward, the debt protection metrics is expected to remain moderate in the medium term in the absence of debt funded capex plan.

The working capital cycle stood at 33 days in FY2017 compared to 41 days in the previous year on account of efficient management of working capital. However, the average utilisation stood at around 90 per cent as confirmed by the banker.

Weaknesses

Stiff competition from other dealers of MSIL and other automobile brands

While MSIL focuses on expanding its dealership network, there's increasing competition among its own dealers.

Furthermore, there increasing competition with other automobile companies like Honda, Tata Motors, Hyundai, Chevrolet, etc. Besides, launching of new models eats into the market share of MSIL which in turn affects dealers including PAPL.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PAPL.

Outlook – Stable

SMERA believes that PAPL will have a stable outlook in the medium term owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of increase in the scale of operations, improvement in profitability and coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2016-17, PAPL reported Profit after Tax (PAT) of Rs. 0.43 crore on total operating income of Rs. 116.28 crore compared with PAT of Rs 0.33 crore on total operating income of Rs. 83.52 crore in FY2016. The tangible net worth stood at Rs. 5.21 crore as on 31 March, 2017 as against Rs. 4.71 crore in the previous year.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12 Oct, 2017	Cash Credit	Long Term	12.00	SMERA BB-/ Stable (Reaffirmed)
	Term Loan	Long Term	0.26	SMERA BB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	SMERA A4 (Reaffirmed)
01 Oct, 2015	Cash Credit	Long Term	10.00	SMERA BB-/ Stable (Reaffirmed)
	Term Loan	Long Term	0.26	SMERA BB-/ Stable (Assigned)
	Bank Guarantee	Short Term	1.00	SMERA A4 (Assigned)

28 Aug, 2015	Cash Credit	Long Term	10.00	SMERA BB-/ Stable (Assigned)
	Bank Guarantee	Short Term	0.50	SMERA A4 (Assigned)

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB / Stable (Upgraded)
Term Loan - I	Not Applicable	Not Applicable	Not Applicable	0.19	SMERA BB / Stable (Upgraded)
Term Loan - II	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Upgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.46	SMERA BB / Stable (Assigned)

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ABOUT SMERA

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