

October 01, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	*25.00	SMERA BB-/Stable (Assigned)
Cash Credit (Dealer Finance)	5.00	SMERA BB-/Stable (Assigned)

*sub limit for book debt Rs.15.00 crore.

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.30.00 crore bank facilities of Pankaj Automobiles Private Limited (PAPL). The outlook is '**Stable**'. The rating draws support from the company's experienced management, modest net worth and revenue growth. However, the rating is constrained by the company's average financial risk profile and limited geographical presence. The rating is also constrained by the working capital intensive nature of business and exposure to intense competition in the automobile dealership industry.

Outlook: Stable

SMERA believes PAPL will maintain a stable business risk profile in the medium term on account of an upcoming product launch from Maruti Suzuki and experienced management. The outlook may be revised to 'Positive' in case of increase in the scale of operation, 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.

Rating Sensitivity Factors

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

About the Company

The Punjab-based PAPL was established in 2012 and is an authorised dealer of Maruti Suzuki with a showroom and service center in Punjab. Promoted by Mr. D.N Bansal, the company also undertakes sale of second hand cars through the True Value channel.

For FY2013-14, PAPL reported net profit of Rs.0.72 crore on operating income of Rs.103.03 crore, as compared with net loss of Rs. 0.21 crore on operating income of Rs.0.23 crore in FY2012-13. The company's networth stood at Rs.11.74 crore (including unsecured loan of Rs. 2.02 crore) as on March 31, 2014, as compared with Rs. 0.02 crore a year earlier.

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