

October 21, 2015

| Facility | Amount (Rs. Crore) | Rating |
|-------------|-----------------------|-----------------------------|
| Cash Credit | 5.50 | SMERA BB-/Stable (Assigned) |

SMERA has assigned a long-term rating of **‘SMERA BB-’ (read as SMERA double B minus)** to the Rs.5.50 crore bank facility of Sagar Autotech Mysore Private Limited (SAMPL). To arrive at the rating, SMERA has consolidated the business and financial risk profiles of Sagar Autotech Private Limited (SAPL) and Sagar Autotech Mysore Private Limited (SAMPL) together referred to as the Sagar Autotech (SA) group. The consolidation is in view of the common ownership and operational linkages within the group.

The rating is constrained by the group’s moderate financial risk profile marked by moderate interest coverage ratio, decline in scale of operations in FY2014-15 and stiff competition from dealers of other car manufacturers. However, the ratings are supported by the group’s experienced management and the firm being the sole dealer for Skoda in Mysore, Bhopal and Jabalpur.

Outlook: Stable

SMERA believes that the SA group continues to benefit over the medium term from the promoters experience in the dealership business and strong presence in Mysore, Bhopal and Jabalpur. The outlook may be revised to ‘Positive’ if the company’s scale of operations increases substantially, while maintaining 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

- Increase in scale of operation
- Maintaining operating profit margins
- Working capital management

About the Group

SAPL was incorporated in 2009 by Mr. Tehseen Khan and Ms. Pooja Premchandani, Directors of the company. The group is the authorised dealer for SKODA passenger cars since 2009 and commenced operations with a 3S facility in Bhopal, Jabalpur and Mysore.

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About the Company

SAMPL, established in 2013 is an authorised dealer of SKODA passenger cars and has 3S facility in Mysore.

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