

March 09, 2016

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>4.00</b>	<b>SMERA B-/Stable (upgraded from SMERA D)</b>
<b>Term Loan</b>	<b>0.54</b>	<b>SMERA B-/Stable (upgraded from SMERA D)</b>

SMERA has upgraded the long-term rating on the Rs. 4.54 crore bank facilities of KLN Motor Agencies Private Limited (KLN) to '**SMERA B-**' (**read as SMERA single B minus**) from 'SMERA D'. The outlook is '**Stable**'. The upgrade is in view of timely servicing of debt by the company. The rating remains constrained by the company's weak financial profile reflected from low networth base, high gearing and weak coverage indicators. The rating also remains constrained due to company's presence in highly fragmented and competitive industry. However, the rating continues to draw support from the experienced management.

### Update

The company's management has regularly infused funds to ensure timely servicing of debt obligations which has aided in timely repayment of debt obligations. KLN has annual debt repayment obligation of Rs.0.76 crore. The company's unsecured loans have increased from Rs. 0.59 crore as on March 31, 2014 to Rs.1.17 crore as on March 31, 2015.

For FY2014-15, KLN reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.86.00 crore as against PAT of Rs. 0.34 crore on operating income of Rs. 90.24 crore.

### Outlook: Stable

SMERA believes KLN will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations while registering higher-than-expected revenues. The outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

### Rating Sensitivity Factors

- Ability to scale up operations while sustaining the profit margins
- Improvement in the liquidity position

### About the company

KLN, incorporated in 2007, is a Chennai-based company promoted by K.Chandrasekar, Rajesh Ganapathy, and K. Annapurna. The company is an authorized dealer for passenger vehicles of General Motors (GM) India Private Limited (Chevrolet) in Chennai.

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