

Press Release

30 March, 2017

Aadhi Cars Private Limited

Rating Reaffirmed & Assigned

Total Bank Facilities Rated *	Rs.35.00 Cr (Enhancement from Rs.20.00 Cr)
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 20.00 crore & assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 15.00 crore bank facilities of Aadhi Cars Private Limited. The outlook is '**Stable**'.

Aadhi Cars Private Limited (ACPL) was incorporated in 2012 by Mr. S. Srinivasan and Ms. K. Kalaivani. The company is a Coimbatore-based authorised dealer of Maruti Suzuki India Limited (MSIL). ACPL is engaged in the sale of new cars, pre-owned cars (under True Value outlet), spare parts and accessories and undertakes servicing of vehicles. Additionally, the company also runs the Maruti Driving School (MDS). ACPL commenced operations by opening its first showroom (3S - sales-service-spares) in Coimbatore in August 2012. As on date, ACPL has 4 3S (Coimbatore and Tirunelveli), 3 True Value outlets, 14 retail sales outlets cum service stations, 3 service stations, 3 Maruti Driving Schools, 02 Stockyard and 1 parking yard.

Key Rating Drivers

Strengths

- **Healthy revenue growth**

ACPL registered operating income of Rs.276.24 cr in FY2016 as compared to Rs.118.93 in FY2015. The company sold 3398 cars in FY2016. In the current year (April, 2016 to January, 2017), ACPL reported healthy revenue growth by selling 3500 cars and registering revenue of Rs.220 cr (car sales).

Weaknesses

- **Limited operational track record**

ACPL has a limited operational track record since it started its dealership business in August 2012 at Coimbatore.

- **Thin EBITDA margins**

ACPL operates on thin profit margins on account of its trading nature of business. After incurring operating losses upto FY2014, the company registered EBITDA margin of 1.92 per cent and is expected to break even in the current year with a minor net profit.

- **High gearing and moderate coverage ratio**

As on March 31, 2016, the company's adjusted debt-equity ratio stood at 5.73 times. The Interest coverage stood low at 1.30 times in FY2016 on account of thin profitability. Around 80 percent of working capital limits have been utilised.

- **Stiff competition from other dealers of Maruti and other brands**

Maruti's focus on expanding its dealership network, has resulted in increased competition among its own dealer network. Furthermore, the company also faces competition from dealers of other automobile companies like Honda, Tata Motors, Hyundai, Chevrolet to name a few. Moreover, launching of new models by other auto companies at competitive prices eats into the market share of Maruti which in turn also affects its dealers including ACPL.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Aadhi Cars Private Limited while arriving at the rating.

Outlook: Stable

SMERA believes that ACPL will maintain a stable outlook owing to the extensive experience of its promoters and relationship with MSIL. The outlook may be revised to 'Positive' if the improvement in its capital structure is significantly better than expected while maintaining steady revenue growth and improvement in margin. Conversely, the outlook may be revised to 'Negative' if ACPL posts significant decline in revenues and profitability, or takes on larger than expected debt to fund its working capital requirements, leading to further deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company registered net loss of Rs.0.05 cr on operating income of Rs.276.24 cr as against net loss of Rs.0.62 cr on operating income of Rs.118.93 cr in the previous year. The net worth stood at Rs.6.98 cr as on 31 March 2016 as compared to Rs.6.46 cr as on 31 March 2015.

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

ICRA has suspended the rating of Aadhi Cars Private Limited (ACPL). The suspension follows ICRA's inability to carry out its rating surveillance in the absence of requisite information from the company.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Dec-2015	Drop Line OD	Long Term	INR 5	SMERA B+ / Stable
	Cash Credit (Dealer Financing)	Short Term	INR 15	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	28.00 (enhancement from Rs.15.00 Cr)	SMERA A4
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable
Drop Line OD (e-Dfs)	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable

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ABOUT SMERA

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