



SMERA RATINGS LIMITED

Banerjee Auto Corporation (BAC)

Rating Rationale

February 03, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	5.20	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB- (read as SMERA double B minus)**' to the Rs.5.20 crore long term bank facilities of Banerjee Auto Corporation (BAC). The outlook is '**Stable**'. The rating draws support from the firm's long track record of operations and experienced management. The rating also draws comfort from the modest scale of operations and dealership of Bajaj Auto Limited (BAL) in Durgapur city and Birbhum district of West Bengal. However, the rating is constrained by the thin profit margins and below average financial risk profile marked by moderate gearing and weak debt protection metrics. The rating is also constrained by the working capital intensive nature of business and highly fragmented and competitive industry that the firm operates in.

Outlook: Stable

SMERA believes that BAC will continue to benefit over the medium term from the promoters extensive experience in the dealership business and established presence in the West Bengal region. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially, while improving its operating profitability. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the scalability amidst increasing competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

Rating Sensitivity Factors

- Increase in scale of operations amidst competition from other dealers in West Bengal
- Improving operating profit margins
- Working capital management and bank limit utilisation

About the Firm

BAC, established in 1999, is a West Bengal-based proprietorship concern promoted by Mr. Partha Priya Banerjee. The firm is an authorised dealer of Bajaj Auto Limited (BAC) for two wheelers in West Bengal. It has three showrooms with 3S (Sales, Service and Spares) facility.

For FY2014-15, BAC reported profit after tax (PAT) of Rs.0.21 crore on operating income of Rs.24.04 crore, as compared with PAT of Rs.0.20 crore on operating income of Rs.23.54 crore in FY2013-14.

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