

March 03, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.80	SMERA B-/Stable (Assigned)
Term Loan	1.52	SMERA B-/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) on the above mentioned bank facilities of Gati Motors Private Limited (GMPL). The outlook is '**Stable**'. The rating is constrained by the below average financial risk profile marked by high gearing and low debt protection measures, moderate scale of operation and stressed liquidity position marked by full cash credit utilisation. The rating is also constrained by intense competition in the auto dealership industry and slowdown in the auto sector. However, the rating is supported by experienced management and established relation with Tata Motors Ltd.

Outlook: Stable

SMERA believes that GMPL will continue to benefit over the medium term from the promoters vast experience in the dealership business and its strong presence in southern part of West Bengal. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if it 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

- Scaling up of operations
- Improvement in capital structure
- Deterioration in working capital management

About the Company

GMPL, incorporated in 2007, is a West Bengal-based authorised dealer of light and intermediate commercial vehicles of Tata Motors Limited. The company was promoted by the Late Mr. Ajit Kumar Banerjee and his son Mr. Partho Priya Banerjee who possess over three decades of experience in the industry. GMPL has four showroom-cum-service centres – three in Burdwan and one in Birbhum district of West Bengal.

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For FY2014–15, GMPL reported profit after tax (PAT) of Rs.0.27 crore on total operating income of Rs.41.16 crore, as compared with PAT of Rs.0.41 crore on total operating income of Rs.65.63 crore in FY2013–14.

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