

March 22, 2016

| Facilities          | Amount (Rs. Crore) | Rating                    |
|---------------------|--------------------|---------------------------|
| Term Loan           | 1.40               | SMERA B/Stable (Assigned) |
| Cash Credit         | 11.66              | SMERA B/Stable (Assigned) |
| Bank Overdraft      | 18.00              | SMERA B/Stable (Assigned) |
| Facility (Proposed) | 0.94               | SMERA B/Stable (Assigned) |

SMERA has assigned long-term rating of '**SMERA B** (read as SMERA B)' on the above mentioned bank facilities of Sainath Autolinks Private Limited (SAPL). The outlook is '**Stable**'. The rating is constrained by the below average financial risk profile, susceptibility of profit margins to cyclical in the auto industry and intense market competition. However, the rating derives comfort from the established relation with Maruti Suzuki India Limited (MSIL) and modest scale of operations of the company.

### **Outlook: Stable**

SMERA believes that SAPL will continue to benefit over the medium term. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in its area of operations or if the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirements

### **Rating Sensitivity Factors**

- Improvement in the capital structure
- Sustainability of revenues and profitability margins
- Efficient working capital management

### **About the Company**

SAPL was established in 2010 by Mr. Mohan Chawla and Mr. Amarjeet Chawla. The company is an authorised dealer of MSIL and operates through its three showrooms cum service centres in West Bengal.

For FY2014-15, SAPL reported net profit of Rs.0.13 crore on operating income of Rs.77.86 crore, as compared with net profit of Rs.0.11 crore on operating income of Rs.85.74 Crore in FY2013-14.

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