

Aradhana Distributors Private Limited: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	5.00	SMERA B-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B-**' (**read as SMERA B minus**) on the Rs.5.00 crore (fund based) bank facility of Aradhana Distributors Private Limited (Aradhana Distributors). The outlook is '**Stable**'. The rating is constrained by the below average financial risk profile and working capital intensive operations. The rating also factors in the thin profit margins and stiff market competition. However, the rating is supported by the experienced management, long track record of operations and established relations with Honda Motorcycle and Scooter India Private Limited.

The revenue of Aradhana Distributors fell in FY2015 to Rs.24.94 crore from Rs.38.79 crore in FY2014 registering a decline of 36 per cent on account of discontinuation of their authorised dealership of Renault India in FY2015. The company operates on thin profit margins due to the trading nature of business. However, the operating margins improved to 3.48 per cent in FY2015 from 3.43 percent in FY2014 while net profits remained low at 0.58 per cent in FY2015 as compared to 0.63 per cent in FY2014.

The company's below average financial risk profile is marked by modest debt-to-equity ratio at 1.56 times, low interest coverage at 1.43 times and weak debt protection metrics in FY2015. The net cash accruals to total debt have been low at 0.04 times in FY2015.

However, the rating draws comfort from the extensive experience of the promoters and established relations with Honda Motorcycle and Scooter India Private Ltd (HMSI).

Rating Sensitivity Factors

- Improvement in the capital structure
- Increase in scale of operations and profitability
- Extent of debt funding capex mix
- Continued relationship with HMSI

Outlook-Stable

SMERA believes that Aradhana Distributors will maintain a stable outlook and benefit from its established association with HMSI and the extensive experience of the promoters in the automobile industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition in its area of operation or if the capital structure deteriorates further.

Criteria applied to arrive at the rating:

- Trading entities

About the Company

Aradhana Distributors, established in 1997 as a service centre for Mitsubishi Motors ventured into auto dealership of Honda Motorcycle in 2006. The company has three 3S showrooms and a workshop at Howrah (West Bengal). The day-to-day operations are managed by Mr. Sanjay Patodia.

The company reported operating income of Rs.27.50 crore for FY2014-15 as compared to Rs.41.02 crore in FY2013-14. The profit after tax stood at Rs.0.16 crore for FY2014-15 as against Rs.0.26 crore a year earlier.

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ABOUT SMERA

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