

S.V.M. Motors Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	5.00	SMERA B/Stable (Assigned)
Term Loan	2.65	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** on the above mentioned Rs.7.65 crore bank facilities of S.V.M. Motors Private Limited (SVM). The outlook is 'Stable'.

The rating is constrained by the below average financial risk profile, limited track record of operations, thin profit margins and working capital intensive business. The rating also factors in the cyclical nature of the automobile industry and exposure to intense competition. However, the rating derives comfort from the healthy revenue growth and authorised dealership of Honda Motors.

SVM, an authorised dealer of two wheelers of Honda Motors commenced commercial operations from 2011. The financial risk profile of SVM is weak marked by high gearing of 5.38 times as on March 31, 2015 and low interest coverage ratio of 1.52 times as on March 31, 2015. The company operates on thin profit margins due to the trading nature of the business. The EBITDA margin stood at 2.82 per cent and PAT margin at 0.28 per cent for FY2014-15. The operations are highly working capital intensive reflected in the high bank limit utilisation of around 90 per cent for six months ended June 2016.

SVM faces intense competition from other dealers of two wheelers and as well as dealers of other auto manufacturers such as TVS and Hero. The operations are susceptible to the inherent cyclicity in the automobile sector.

However, the rating derives comfort from the healthy revenue growth of Rs.48.39 crore in FY2014-15 as against Rs.36.45 crore in FY2013-14. Further, as per provisional financials, the company booked revenue of Rs.60.57 crore in FY2015-16.

Rating Sensitivity Factors

- Scaling up operations and sustaining profit margins
- Efficient working capital management

Outlook-Stable

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

Criteria applied to arrive at the ratings:

- Trading Entities



About the Company

SVM was incorporated in 2011 under the directorship of Mr. Saji Sebastian and Mr. Madhusudana Rao Karuparthi. The company, an authorised dealer of two-wheelers of Honda Motors, also deals in spare parts and accessories. It has three showrooms and two workshops in Chennai.

For FY2014-15, SVM registered profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.48.39 crore as against profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.36.45 crore in FY2013-14.

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ABOUT SMERA

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