

Pinnacle Vehicles & Services Private Limited: Assigned

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	11.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** to the Rs.11.00 crore long term bank facility of Pinnacle Vehicles & Services Private Limited (Pinnacle Vehicles). The outlook is **'Stable'**.

The rating is constrained by the limited operational track record, below average financial risk profile and exposure to intense competition in the passenger vehicle (PV) dealership business. The rating also notes the susceptibility of profit margins to the inherent cyclicality in the automobile industry. However, the rating draws comfort from the company's association with Hyundai Motor India Limited (HMIL) and healthy revenue in FY2016.

Incorporated in 2014, Pinnacle Vehicles is a Kerala-based authorised dealer of passenger vehicles manufactured by HMIL and Skoda Auto India Private Limited since March 2015 and July 2015 respectively. The company registered sales of Hyundai and Skoda vehicles for 15 months and 11 months respectively.

The below average financial risk profile is marked by low net worth, high debt equity and low debt protection metrics due to operating losses in FY2015. Debt equity stands at 3.86 times in FY2016 (provisional). The debt profile includes Rs.6.87 crore of term loans and Rs.12.60 crore of working capital limits from banks in FY2016 (provisional). The ratings also factor unsecured loan from promoters of Rs.3.15 crore in FY2016 that have been treated as quasi-equity due to the amount being subordinated to bank debt.

Pinnacle Vehicles faces stiff competition from other automobile companies such as Maruti Suzuki India Limited, Honda Motor Company Limited, Mahindra & Mahindra Limited among others.

The Gross provisional revenue stood at Rs.60.49 crore in FY2016. Moreover, revenue for April and May 2016 stands at Rs.16.48 crore.

The above rating takes into account the two upcoming showrooms of Skoda and Hyundai in Kerala to be funded from own funds and internal accruals.

Rating Sensitivity Factors

- Scaling up of operations and profitability
- Efficient working capital management
- Capex and its funding mix

Outlook-Stable

SMERA believes that Pinnacle Vehicles will maintain a stable outlook in the medium term owing to its dealership association with Skoda and Hyundai and the growing passenger vehicle industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition.

About the Company

Incorporated in 2014, Pinnacle Vehicles is a Kerala-based authorised dealer of passenger vehicles manufactured by Hyundai Motor India Limited and Skoda Auto India Private Limited. The company has three sales and spares showroom facilities, two in Thrissur and one in Calicut (Kerala), with two separate service stations in the vicinity. The day-to-day operations are managed by Mr. P.M. Shabeen, Mr. A. T. Moosa, Mr. Rasheed Abdul and Mr. Abdul Gafoor.

For FY2014-15 (refers to the period March 01 to March 31), the company reported net loss of Rs.0.39 crore on operating income of Rs.1.70 crore. The gross provisional revenue stood at Rs.60.49 crore in FY2016. Moreover, revenue for April and May 2016 stands at Rs.16.48 crore.

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ABOUT SMERA

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