

Sunshine Cars Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.00	SMERA B+/Stable (Assigned)
Term Loan	3.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.10.00 crore bank facilities of Sunshine Cars Private Limited (SCPL). The outlook is '**Stable**'.

The rating derives comfort from the growing scale of operations and authorised dealership from a reputed car manufacturer. However, the rating is constrained by the below average financial risk profile, stretched liquidity position, limited track record of operations and exposure to intense market competition. The rating is further constrained by the cyclical nature of the automobile industry.

SCPL is an Indore-based authorised dealer of Hyundai Motor India Limited. The company started commercial operations since FY2013. SCPL has shown a healthy revenue growth since inception. The revenues increased from Rs.13.03 crore in FY2012-13 to Rs.51.62 crore in FY2014-15.

However, SCPL has below average financial risk profile with interest coverage ratio (ICR) standing at 1.47 times as on March 31, 2015 and negative tangible networth due to accumulated losses. The liquidity position of the company is stretched evident from the fully utilised bank lines. SCPL faces intense competition from other dealers of Hyundai and as well as dealers of other car manufacturers like Maruti and Tata Motors. The company's operations are susceptible to the inherent cyclical nature in the automobile sector.

Rating Sensitivity Factors

- Scaling up operations while maintaining operating margins
- Improvement in the financial risk profile
- Strengthening of the capital structure

Outlook-Stable

SMERA believes that SCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its healthy scale of operations and dealership support from Hyundai Motors. The outlook may be revised to 'Positive' if the company registers substantial increase in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or experiences further deterioration in its financial risk profile.

Criteria applied to arrive at the rating:

- Trading entities

About the Company

SCPL was incorporated in May 2012 by Mr. Paramjeet Singh Chhabra and Mr. Inderjeet Kaur Chhabra. The company is an authorised dealer of Hyundai Motors India Limited (HMIL) and retails through its showroom and service station at Indore.

For FY2014-15, SCPL reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.51.62 crore, as compared with net loss of Rs.1.53 crore on operating income of Rs.39.96 crore in FY2013-14.

Analytical	Business Development
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ABOUT SMERA

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