



## Press Release

### Sunshine Cars Private Limited

October 09, 2017

### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of Sunshine Cars Private Limited. The outlook is '**Stable**'.

Sunshine Cars Private Limited (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 sells CRETA, I20, Grand 10, Eon through its showroom and service station at Indore, Madhya Pradesh.

### Key Rating Drivers

#### Strengths

- **Consistent growth in revenues**

The company posted revenue of Rs. 39.96 crore in FY2014 and Rs. 56.26 crore in FY2017 registering a CAGR of around 8.93 per cent during the period. The company sold 719 cars in FY2017 as against 731 cars in FY2016.

- **Comfortable profitability margins**

The profit margins of SCPL remained comfortable during the period under the study. The EBITDA margins stood at 5.15 per cent in FY2017 (Provisional) as against 3.87 per cent in FY2016 and 3.79 per cent in FY2015. The PAT margins stood at 1.64 per cent in FY2017 (Provisional) as against 0.37 per cent in FY2016 and 0.20 per cent in FY2015. The growth in profit margins was due to increase in sale of high value cars like CRETA. The company sold 42 cars (CRETA) in FY2017 as against 22 cars in FY2016.

- **Authorised dealership with reputed principal**

Hyundai Motors India Ltd registered sales of 47103 units in August 2017 as against 43201 units during the corresponding period in the previous year registering a growth of 9 per cent.

- **Comfortable working capital cycle**

SCPL has comfortable working capital cycle of 69 days in FY2017 (Provisional) as against 71 days in FY2016. The inventory holding period stood at 66 days in FY2017 (Provisional) as against 65 days in FY2016. The debtor days stood at 11 days in FY2017 (Provisional) as against 6 days in FY2016. The debtor days are low as transactions are done on the basis of advance payments from customers. Besides, creditors are also paid on advance basis. However, the bank limit utilisation stood at around 80 per cent for the last six months ended August 2017.

#### Weaknesses

- **Below average financial risk profile**

The financial risk profile of SCPL has remained below average during the period under the study. The tangible net worth stood at Rs. 0.70 crore as on 31 March, 2017 (Provisional) as against Rs. (0.22) a

year earlier. The gearing stood high at 18.76 times as on 31 March, 2017 (Provisional) as against (58.79) times as on 31 March, 2016. The total debt of Rs. 12.90 crore - outstanding as on 31 March, 2017 comprises Rs. 0.74 crore of term loan, Rs. 2.52 crore of unsecured loan from the promoter and Rs.9.87 crore of working capital borrowing. The ICR is moderate at 2.15 times in FY2017 (Provisional) as against 1.53 times in FY2016. The DSCR improved to 1.84 times in FY2017 (Provisional) as against 0.64 times in FY2016. The net cash accruals stood at Rs.1.21 crore in FY2017 (Provisional) as against Rs. 0.76 crore in FY2016. The NCA/TD stood at 0.09 times in FY2017 (Provisional) as against 0.06 times in FY2016.

#### • Intense competition

The profitability margins are susceptible to intense competition in the automobile dealership business. SCPL faces direct competition from other dealers in the industry thereby affecting the scale of operations as well as profitability margins. Also, any adverse effect on the performance of Hyundai Motors India Limited may directly impact the business operations of SCPL.

#### Analytical Approach

SMERA has considered the standalone business and financial risk profile of Sunshine Cars Private Limited to arrive at the rating.

#### Outlook: Stable

SMERA believes that SCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue, profitability leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its financial risk profile or stretch in working capital cycle.

#### About the Rated Entity - Key Financials

In FY2016-17 (Provisional) the company reported profit after tax (PAT) of Rs.0.92 crore on operating income of Rs.56.26 crore as against net profit of Rs.0.20 crore on operating income of Rs.52.82 crore in the previous year. The tangible net worth stood at Rs. 0.70 crore as on 31 March, 2017 as against Rs. (0.22) crore a year earlier.

#### Status of non-cooperation with previous CRA (if applicable)

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Sep-2016	Cash Credit	Long Term	INR 7	SMERA B+ / Stable
	Term Loan	Long	INR 3	SMERA B+ / Stable

		Term		
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#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable

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#### ABOUT SMERA

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