

Press Release

06 March, 2017

Kerala Cars Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.29.50 Cr
Long Term Rating	SMERA BB+/Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 29.50 crore bank facilities of Kerala Cars Private Limited. The outlook is '**Stable**'.

Kerala Cars Private Limited commenced its operations in 1999 with its state of art sales as well as service facility at Edapally. Company is dealer of ford and service centre.

Key Rating Drivers

Strengths

- **Authorised dealer of Ford**

Company is authorised dealer of Ford Motors in central and south part Kerala.

- **Long track record of operation and experienced management**

Kerala Cars Private Limited commenced its operations in 1999, hence benefits from its long track record of operation. Company's director possess a good experience, Anish Mohan Gopalkrishnan Mohanan is having an experience of 25 years, Salil Venu is having an experience of 8 years, Umesh Mohanan is having an experience of 5 years in the same line of business.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by interest coverage ratio of 1.41 times in FY2016 and gearing of 1.26 times as on 31st March, 2016. Net worth of the firm stands at Rs.36.55crores as on March 31, 2016. Net worth is supported by unsecured loans from directors of Rs.6.32crore which is treated as quasi equity.

Weaknesses

- **Uneven revenue**

Revenue of the company is uneven and stands at Rs.314.87 crore in FY2016 as compared to Rs.280.27 crore in FY2015 and Rs.318.21 crore in FY2014. However, in current financial year 2016-17 (Apr-Jan) KCPL has registered revenue of Rs.381.84 crore.

- **Uneven profit margins**

EBITDA margin of the company is uneven, 2.72 per cent in FY2016, 3.00 per cent in FY2015 and 2.97 per cent in FY2014. PAT margin stand at 0.12 per cent in FY2016, and 0.75 per cent in FY2014.

• High Competition

Kerala Cars faces various dealers in the market such as PVS Ford as well as Maruti Suzuki, Tata Motors, Hyundai Motors, Honda Motors etc.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes KCPL will maintain stable outlook in the medium term from its established position as a dealer of Ford in Kerala, and its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of significant increase in profit leading to sizeable cash accrual. The outlook may be revised to 'Negative' if liquidity comes under pressure on account of lower cash accrual, large working capital requirement, or debt-funded capital expenditure.

About the Rated Entity - Key Financials

Kerala Cars Private Limited commenced its operations in 1999 with its state of art sales as well as service facility at Edapally. From then on the company has paced forward with sales and service networks stretched across the breadth and width of Kerala from Thrissur to Trivandrum. Kerala Cars are having 19 branches. For FY2015-16, KCPL reported net profit of Rs.0.38 crore on operating income of Rs.317.87 crore, as compared with net loss of Rs.0.07 crore on operating income of Rs.280.27 crore in FY2014-15.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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 BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BB+ / Stable
Inventory Fund	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB+ / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Tushar Yemdey Rating Analyst Tel: 080-46634617 tushar.yemdey@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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