

Press Release

Amideep Automobiles

April 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 9.50 crore bank facilities of Amideep Automobiles. The outlook is '**Stable**'.

The Gujarat-based Amideep Automobiles, a partnership firm was established in 2012 by Mr. Amitkumar P. Kachhadiya and family. The firm is an authorised dealer of Honda Motorcycle and Scooter India Private Limited (HMSI) for two-wheelers. It deals in Activa 3G, Shine, Dream Yuga, Unicorn and is also into servicing of vehicles. Additionally, the firm sells spare parts and accessories through its showroom and three outlets in Surat, Gujarat.

Key Rating Drivers

Strengths

- Experienced management**

The promoters, Mr. Parbatbhai H. Kachhadiya, Mr. Dipakkumar P. Kachhadiya and Mr. Amitkumar P. Kachhadiya have more than a decades experience in the automobile dealership business.

- Healthy growth in revenues**

The operating income grew at a CAGR of 34.16 per cent from FY2014 to FY2016 on account of increase in volumes sold (Activa). The operating income stood at Rs.79.39 cr in FY2016 as against Rs.64.09 cr in FY2015. As indicated by the management, Amideep Automobiles achieved operating income of Rs.75.60 cr from April, 2016 to February, 2017.

- Established relations with HMSI**

Amideep Automobiles is an authorised dealer of HMSI since 2012. Over the years, the firm has been able to establish long term relations with its OEM. HMSI is one of the largest manufacturers of two wheelers.

Weaknesses

- Intense competition in the automobile dealership business**

Amideep Automobiles faces intense competition from other dealers of two wheelers as well as dealers of other auto manufacturers (Hero Motocorp, Bajaj Auto and TVS Motor Company). The firm's operations are susceptible to the inherent cyclical in the automobile sector.

- Low profitability**

The firm reported net profit margins of 0.73 per cent for FY2015-16 as against 0.57 per cent for FY2014-15. The slender margins are attributed to the trading nature of business.

- High gearing and moderate coverage indicators**

The gearing (debt-to-equity ratio) of the firm stood at 3.56 times as on March 31, 2016 as compared to 2.52 times in the previous year. The net worth stood low at Rs. 2.30 cr as on March 31, 2016. The

Interest coverage stood moderate at 2.05 for FY2015-16. The DSCR stood at 2.05 times for FY2015-16.

• Exposure to group/related entities

Amideep Automobiles extended advances of Rs. 2.01 cr (~87 per cent of the total tangible net worth) to its group company, Dutch Glass, as on March 31, 2016. The firm has so far paid Rs. 0.76 cr (~38 per cent of the total advances) to Amideep Automobiles as on March 4, 2017 with the balance amount yet to come.

Analytical Approach

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

Outlook: Stable

SMERA believes that Amideep Automobiles will maintain a stable outlook and continue to benefit over the medium term from its established relationship with HMSI and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenue, improved profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm registered Profit after tax (PAT) of Rs.0.58 cr on operating income of Rs.79.39 cr as against PAT of Rs.0.37 cr on operating income of Rs.64.09 cr in FY2014-15.

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>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.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	1-Jan-1953	7.00	SMERA BB- / Stable
Ad-hoc limits (Fund Based)	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB- / Stable

Contacts

Analytical

Rating Desk

Vinayak Nayak
Head – Ratings Operations
Tel: 022-67141190
vinayak.nayak@smera.in

Varsha Bist
Sr. Executive
Tel: 022-67141160
varsha.bist@smera.in

Nilesh Gupta
Senior Analyst - Rating Operations
Tel: 022-67141120
nilesh.gupta@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.