

Press Release

28 October, 2017

Amideep Automobiles (AA)

Rating Reaffirmed and Assigned



Total Bank Facilities Rated *	Rs. 15.00 Cr
Long Term Rating	SMERA BB-/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.9.50 crore bank facility and assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.5.50 crore bank facility of Amideep Automobiles (AA). The outlook is 'Stable'.

The Gujarat-based Amideep Automobiles (AA), 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, and Unicorn. The firm 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 decade of experience in the automobile dealership business.

Healthy growth in revenues

The operating income grew at a CAGR of 25.00 per cent from FY2014 to FY2017 (Provisional) on account of increase in volumes sold (Activa). The operating income stood at Rs.91.69 for FY2016-17 (Provisional) compared to Rs.79.39 crore in FY2015-16.

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.

Moderate financial risk profile

The financial risk profile of AA is moderate marked by net worth (including Quasi Equity) of Rs.8.67 as on 31 March, 2017 (Provisional) compared with Rs.2.30 as on 31 March, 2016. The gearing stood at 0.85 times as on 31 March, 2017 (Provisional) compared with 3.56 times as on 31 March, 2016. The total debt of Rs.7.37 crore as on 31 March, 2017 (Provisional) consists of working capital facility. The interest coverage ratio stood at 1.96 times for FY2016-17 (Provisional) as against 2.05 times for FY2016-17.

SMERA believes that AA will sustain its moderate financial risk profile on the back of moderate cash accruals and absence of any debt funded capex plans in FY2017-18.

Weaknesses

Intense competition

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 0.77 per cent for FY2016-17 (Provisional) compared with 0.73 per cent for FY2015-16. The slender margins are attributed to the trading nature of business.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Amideep Automobiles to arrive at the rating.

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 crore on operating income of Rs.79.39 crore as against PAT of Rs.0.37 crore on operating income of Rs.64.09 cr in FY2014-15. Further, for FY2016-17 (Provisional) the firm registered Profit after tax (PAT) of Rs.0.70 on operating income of Rs.91.69 crore.

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. Crore)	Ratings/Outlook
24-Apr, 2016	Cash Credit	Long Term	7.00	SMERA BB- / Stable (Assigned)
	Ad-hoc Limits	Long Term	2.50	SMERA BB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable (Reaffirmed)
Ad-hoc Limits	Not Applicable	Not Applicable	Not Applicable	4.80	SMERA BB- / Stable (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA BB- / Stable (Assigned)

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ABOUT SMERA

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