

Press Release
Amideep Automobiles

November 15, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.15.00 crore bank facilities of AMIDEEP AUTOMOBILES. 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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AA to arrive at this rating.

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.

• 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 of Rs.6.62 as on 31 March, 2018 (Provisional) compared with Rs.7.98 as on 31 March, 2017. The gearing stood at 1.45 times as on 31 March, 2018 (Provisional) compared with 1.01 times as on 31 March, 2017. The total debt of Rs.9.57 crore as on 31 March, 2018 (Provisional) consists of working capital facility of Rs.7.92 crore and unsecured loans of Rs.1.65 crore. The interest coverage ratio stood at 2.43 times for FY208 (Provisional) as against 1.96 times for FY2017. Acuité 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 near future.

Weaknesses

• Low profitability

The firm reported operating margins stood at 1.73 per cent for FY2018 (Provisional) as against 1.62 per cent in FY2017. The net profit margins of 0.87 per cent for FY2018 (Provisional) compared with 0.77 per cent for FY2017. The slender margins are attributed to the trading nature of business.

- **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 cyclicalities in the automobile sector.

Outlook: Stable

Acuité 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

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	111.73	91.69	79.39
EBITDA	Rs. Cr.	1.93	1.49	1.28
PAT	Rs. Cr.	0.97	0.70	0.58
EBITDA Margin	(%)	1.73	1.62	1.61
PAT Margin	(%)	0.87	0.77	0.73
ROCE	(%)	11.01	11.82	12.96
Total Debt/Tangible Net Worth	Times	1.45	1.01	3.56
PBDIT/Interest	Times	2.43	1.96	2.05
Total Debt/PBDIT	Times	4.94	4.74	5.85
Gross Current Assets (Days)	Days	64	78	74

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trade Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
28-Oct-17	Cash Credit	Long term	10.00	ACUITE BB-/Stable (Reaffirmed)
	Ad-hoc Limits	Long term	4.80	ACUITE BB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long term	0.20	ACUITE BB-/Stable (Assigned)

24-Apr-16	Cash Credit	Long Term	7.00	ACUITE BB-/Stable (Assigned)
	Ad-hoc Limits	Long Term	2.50	ACUITE 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	ACUITE BB-/Stable (Reaffirmed)
Ad-hoc Limits	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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