

Press Release

Concept Cars Limited

June 22, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.05 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 20.05 crore bank facilities of Concept Cars Limited. The outlook is '**Stable**'.

The Uttar Pradesh-based Concept Cars Limited (CCL), established in 2010 is an authorised dealer of Maruti Suzuki India Limited. The company, led by Mr. Yash Agarwala and Mr. Surya Agarwal has a showroom and service centre at Hardoi, Uttar Pradesh. CCL also undertakes sale of second hand cars through True Value Channel.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Sanjeev Agarwal possesses experience of over two decades in the aforementioned industry. The company is ably supported by his sons i.e. Mr. Yash Vardhan Agarwal and Mr. Surya Vardhan Agarwal who manage the day-to-day operations.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by modest debt protection measures and low networth base. The interest coverage ratio stood at 1.69 times in FY2016-17 (Provisional) against 1.53 times in FY2015-16. The rating also factors in the increase in the networth to Rs.12.39 crore on 31 March, 2017 (Provisional) from Rs.9.72 crore on 31 March, 2016. (The unsecured loan of Rs.3.76 crore is from promoters and subordinated to bank debt hence SMERA has treated them as quasi equity. This includes the Rs.2.02 crore of unsecured loans treated as quasi equity). SMERA believes that CCL's credit profile shall be dependent on the company's ability to continue to generate healthy accruals efficiently.

Weaknesses

- **Susceptibility of profitability margins**

The profit margins of the company are linked to the performance of Maruti Suzuki India Limited. Hence, any adverse changes in the business risk profile of the company can impact the profitability margin of CCL.

- **Competitive and fragmented industry**

CCL faces competition from other automobile majors such as Skoda, Toyota, Ford, Honda. Furthermore, the sales as well as purchase prices are determined by Maruti Suzuki resulting in margin pressure which negatively impacts the earning capacity of CCL.

Analytical Approach

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

Outlook: Stable

SMERA believes that CCL will maintain a stable outlook and benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of substantial increase in revenue and operating profitability, while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue, profitability or any further debt-funded capex undertaken by the company, weakening its financial risk profile.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.0.62 crore on operating income of Rs.131.08 crore compared to net loss of Rs.0.11 crore on operating income of Rs.103.68 crore in FY2016. The net worth stood at Rs.12.39 crore as on 31 March, 2017 (Provisional) against Rs.9.72 crore a year earlier. The net worth of Rs.12.39 crore in FY2017 (Provisional) includes quasi-equity of Rs. 3.76 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)

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	20.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A4+

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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.

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