



Press Release

Prime Car Private Limited

July 31, 2017

Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 11.50 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. 11.50 crore bank facilities of Prime Car Private Limited. The outlook is '**Stable**'.

Prime Car Private Limited (PCPL) was incorporated in 2010 as a private limited company by Mr. Anand Kumar Tikarya and Mr. Manjulata Tikarya. The company is an authorised dealer of Maruti Suzuki and is engaged in the trading and servicing of passenger vehicles. It has six showrooms along with workshops in Madhya Pradesh. The company is also a registered dealer of Reliance Retail Limited and trades in Jio LYF smartphones in Madhya Pradesh.

Key Rating Drivers

Strengths

- **Experienced management**

The company c o m m e n c e d c o m m e r c i a l operations f r o m 2010. The directors, Mr. Anand Kumar Tikarya and Mrs. Manjulata Tikarya have more than two decades of experience in the automobile and electronics industries. The Tikarya family has been in the same line of business since 1956.

- **Authorised dealer of Maruti Suzuki and Reliance Retail Limited**

Since its inception in 2010, the company has been the preferred dealer in Madhya Pradesh for Maruti Suzuki passenger vehicles. The company is also an authorised dealer for Reliance Retail Limited for Jio LYF smartphones since 2015.

- **Modest scale of operations**

The scale of operations have been modest with revenue of Rs.93.13 crore in FY2017 (Provisional) compared to Rs.91.93 core in FY2016. The revenue increased significantly in FY2016 to Rs.91.93 crore from Rs.66.23 in FY2015 mainly due to the opening of a new unit for Jio LYF smartphone.

Weaknesses

- **Average financial risk profile**

PCPL's average financial risk profile is marked by moderate net worth of Rs. 10.56 crore in FY 2017 (Provisional), an increase from Rs.9.98 crore mainly on account of current year profits. The gearing stood at 1.66 times in FY2017 (Provisional), a decline from 2.86 crore in FY2016, mainly on account of decrease in short term debt. However, the interest coverage ratio stood at a moderate 1.27 times and DSCR at 1.21 times in FY2017 (Provisional). The NCA/TD stood at a low of 0.05 times in FY2017 (Provisional).

- **Geographical concentration risk**

The company realises 100 per cent revenue from local customers in Madhya Pradesh. PCPL has six showrooms along with workshops in Madhya Pradesh and a unit for trading of Jio LYF smartphones.

- **Intense competition**

PCPL faces competition from various dealers of Maruti Suzuki as well as that of other automobile companies such as Skoda, Toyota, Mahindra and Mahindra, Ford, Honda, etc, operating in Madhya Pradesh.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of PCPL.

Outlook: Stable

SMERA believes that PCPL will maintain a stable outlook and continue to benefit over the medium term from the promoters vast experience in the dealership business and its strong presence in Madhya Pradesh. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt- funded working capital requirements.

About the Rated Entity - Key Financials

For FY201-17 (Provisional), PCPL reported profit after tax (PAT) of Rs 0.62 crore on total operating income of Rs.93.13 crore, compared with PAT of Rs.0.50 crore on total operating income of Rs.91.93 crore in FY2015-16.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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 | 11.00 | SMERA BB- / Stable |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 0.50 | SMERA BB- / Stable |

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