

Press Release

Shreem Automobiles Private Limited

11 September, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 20.00 crore bank facilities of Shreem Automobiles Private Limited. The outlook is '**Stable**'.

Shreem Automobiles Private Limited (SAPL) incorporated in October 2016 by Mr. Pranav Rajendra Ghule and Mr. Tanuj Rajkumar Pugalia is an authorised dealer for Hyundai Motors India Ltd (HMIL). The company has a showroom admeasuring 2037 sq. ft. at Kandivali West, Mumbai.

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Ghule and Mr. Pugalia have four automobile dealerships of Hyundai Motor India Limited (HMIL) out of which two are in Mumbai and two in Ahmedabad. The promoters also have dealerships of Mahindra and Mahindra for Rajkot, apart from five Chevrolet dealerships in five locations in Gujarat. Besides, 10 outlets of two wheelers of Bajaj and three outlets of KTM in Ahmedabad, Gujarat are also led by the aforementioned. The promoters, as a result possess over a decade of experience in the auto dealership business and have been able to forge long term relations with automobile companies.

Weaknesses

• Limited operational track record

The company commenced operations in January 2017. SAPL sold ~240 cars and reported revenue of Rs. 20.32 crore from January 2017 to May 2017.

• Below average financial riskprofile

The financial risk profile is below average marked by low net worth of Rs.1.05 crore and total debt of Rs.3.85 crore as on 31 March 2017 (Provisional). The total debt mainly comprises working capital limits. SMERA believes that the financial risk profile of the company will remain below average in the medium term due to low net worth and thin profitability in the automobile dealership business.

• Competitive and fragmentedindustry

SAPL is exposed to intense competition from other car dealers of Hyundai and also dealers of other auto brands across Mumbai.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SAPL to arrive at

the rating.

Outlook: Stable

SMERA believes that SAPL will maintain a stable outlook on the back of its experienced management. The outlook may be revised to 'Positive' in case it registers improvement in revenue, profit margins or financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability, or if the company undertakes larger than expected debt funded capex or working capital requirements, resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

NA

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. Crore)	Ratings/Outlook
Cash credit (Under E-DFS Scheme)	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B/ Stable
Adhoc Limit under E-DFS scheme	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B/ Stable
Cash Credit (Stock & Receivables other than e-DFS)	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable

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ABOUT SMERA

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