

Press Release

ASPA Bandsons Auto Private Limited (ABAPL)

20 November, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.95 Cr.
Long Term Rating	SMERA BBB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (**read as SMERA triple B**) on the Rs. 11.95 crore bank facilities of ASPA Bandsons Auto Private Limited (ABAPL). The outlook is '**Stable**'.

The Maharashtra-based ASPA Bandsons Auto Private Limited (ABAPL), established in 1999 is an authorised dealer of Maruti Suzuki. The company sells passenger vehicles, spare parts, accessories and undertakes servicing of vehicles through its 3S (Sales, Service and Spares) facilities at Amravati, Washim and Warud. ABAPL has also set up a True Value outlet and a NEXA showroom at Amravati.

Key rating drivers

Strengths

Experienced management and healthy track record of operations

ABAPL was incorporated in 1999 by Mr. Ranjit Band and Mr. Satyajit Band. The promoters have more than a decade of experience in the automobile industry. The company is the sole dealer of Maruti Suzuki and Maruti Suzuki NEXA in Amravati, Washim and Warud.

Healthy financial risk profile

ABAPL has healthy financial risk profile marked by tangible net worth of Rs. 16.45 crore as on 31 March, 2017 (Provisional) as against Rs. 9.63 crore in the previous year. The gearing stood at 0.30 times as on 31 March, 2017 (Provisional) as against 0.42 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 16.37 times in FY2017 (Provisional) as against 13.64 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 12.07 times for FY2017 compared to 9.79 times in the previous year. The Total outside Liabilities/Tangible net worth (TOL/TNW) stood at 1.04 times as on 31 March, 2017 (Provisional) as against 1.20 times in the previous year. The Net cash accruals/total debt (NCA/ TD) stood at 0.99 times as on 31 March, 2017 (Provisional) compared to 0.87 times in the previous year. SMERA expects the financial risk profile to remain healthy in the near to medium term on account of addition of capital in the business and low debt funded capex plans.

Healthy revenue growth

ABAPL registered revenue of Rs. 166.34 in FY2017 (Provisional) as against Rs. 125.70 crore in FY2016 and Rs. 112.22 crore in FY2015. The increase in revenue is mainly on account of additional revenues from two showrooms that commenced operations in FY2017. Further, during the period April 2017 to September 2017, the company registered revenue of ~Rs. 96.34 crore. The revenue has grown at a CAGR of 19 percent from FY2015 to FY2017 (Provisional).

Comfortable working capital cycle

The working capital cycle of ABAPL is comfortable marked by GCA of 50 days in FY2017 (Provisional) as against 38 days in FY2016. The GCA is mainly dominated by inventory of 31 days in FY2017 (Provisional) and 33 days in FY2016 while the debtors have remained in the range of zero to three days during the period under study. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Ongoing debt funded capex

Construction work on the setting up of a Nexa workshop at Amravati began in June 2017 and is expected to be completed by March 2018. The total project cost stands at ~Rs. 4.00 crore to be funded by a loan of ~Rs. 2.00 crore for machinery in January 2018 and the rest through internal accruals.

ABAPL has also begun construction work on a showroom for Maruti Suzuki Commercial Vehicles in Amravati (the land is on lease) in September 2017 at a total project cost of ~Rs. 0.20 crore to be funded through internal accruals. Work is expected to be completed by November 2017. Notwithstanding the benefits of the debt funded capex, timely completion and stabilisation will remain key rating sensitivities.

Stiff competition from other dealers

The company is exposed to intense competition from other automobile companies such as Honda, Tata Motors, Hyundai, Chevrolet, and Toyota and dealers which may eat into the market share of Maruti.

Analytical approach:

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

Outlook – Stable

SMERA believes that ABAPL will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations, while it maintains its profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or if the financial risk profile weakens because of a stretch in working capital cycle or large debt-funded capex.

About the Rated Entity – Key Financials

The company reported profit after tax (PAT) of Rs. 4.26 crore on net sales of Rs. 166.34 crore in FY2017 (Provisional) as against PAT of Rs. 3.12 crore on net sales of Rs. 125.70 crore in FY2016. The net worth stood at Rs. 16.45 crore as on 31 March, 2017 (Provisional) compared to Rs. 9.63 crore as on 31 March, 2016.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading entities- <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

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	8.65	SMERA BBB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.30	SMERA BBB/ Stable

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ABOUT SMERA

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