

## Press Release

### Uday Autolink Private Limited

7 February, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 28.50 Cr
<b>Long Term Rating</b>	SMERA B/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A4 (Assigned)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as A four)** on the above bank facilities of Uday Autolink Private Limited (UAPL). The outlook is '**Stable**'.

The Ahmedabad-based UAPL incorporated in 2011 by Mr. Uday Dinesh Chandra Bhatt and Mrs. Mohiniben Udaybhai Bhatt is an authorised dealer of Maruti Suzuki India Limited (MSIL) for passenger vehicles. The company deals in new cars, pre-owned cars (under True Value), spare parts and accessories apart from undertaking servicing of vehicles.

### List of key rating drivers and their detailed description

#### Strengths:

##### Association with MSIL

The company is an authorised dealer for passenger vehicles of MSIL for the last seven years. It has two 4S facility (4S - sales-service-spares-second hand sale) located in Kathwada and Barwala. The company also has sales outlet at Dhandhuka. UAPL plans to start a workshop at Dhandhuka in FY2018-19. The company benefits from its association with MSIL. The growth was supported by new model launches (Vitara, Brezza and the Baleno) alongwith an aggressive marketing strategy.

#### Weaknesses:

##### Declining revenue trend and uneven profitability

The company reported declining trend in operating income during the last three years. The operating income stood at Rs.72.94 crore for FY2017 compared to Rs. 78.39 crore for FY2016 and Rs. 91.63 crore for FY2015. The decline in FY2017 was due to the impact of demonetisation on demand during the festival season. During FY2016, UAPL faced internal issues which adversely affecting sales. The company reported operating income of Rs. 49.00 crore during April, 2017 to November, FY2017. The last four months of the year are considered to be the peak period with festivals and year closing.

Further, the automobile dealership industry is characterised by thin operating margins. UAPL's EBITDA margin stood at 2.49 percent for FY2017 as against 3.41 percent for FY2016. The company reported net losses of Rs. 2.46 crore for FY2017 against Rs. 5.65 crore in the previous year on account of high interest cost.

### Weak financial risk profile alongwith stretched liquidity position

The financial risk profile of the company is weak marked by weak debt coverage metrics as the Interest Coverage Ratio stood at 0.76 times for FY2017 as against 0.38 times in the previous year. Further, the Debt Service Coverage ratio stood at 0.48 times for FY2017 as against 0.21 times in the previous year. The adjusted gearing stood at 1.42 times as on 31 March, 2017 as against 3.78 times in the previous year. For arriving at the gearing, the unsecured loan of Rs. 10.12 crore from related parties has been considered as equity as the same is subordinated to bank debt. The promoters have continuously infused funds in the nature of unsecured loans every year to meet its debt obligations. During FY2017-18, the company has liquidated fixed assets worth Rs.18.63 crore which has been partially used for repayment of asset backed term loan. This is expected to improve the debt coverage indicators going forward. Further, the company operates at stretched liquidity position as the average bank limit utilisation stood at around 91 percent for the last six months ended October, 2017.

### Stiff competition from other dealers, susceptibility to cyclical

The company faces stiff competition from other dealers of MSIL. Furthermore, the company also faces competition from other automobile companies including Honda, Tata Motors, Hyundai, Chevrolet, etc. Launching of new models at competitive prices, results in eating into the market share of MSIL which in turn affects its dealers including UAPL. The operations of the company are also vulnerable to the inherent cyclical nature of the automobile industry.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Uday Autolink Private Limited.

### Outlook: Stable

SMERA believes that UAPL will maintain a Stable outlook over the medium term and continue to benefit from its established association with MSIL. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

### About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	72.94	78.39	91.63
EBITDA	Rs. Cr.	1.82	2.68	1.36
PAT	Rs. Cr.	-2.46	-5.65	-5.64
EBITDA Margin	(%)	2.49	3.41	1.48
Total Debt/Tangible Net Worth	Times	1.42	3.78	5.34
PBDIT/Interest	Times	0.76	0.38	0.37
Total Debt/PBDIT	Times	18.72	19.15	33.67
Gross Current Assets (Days)	Days	82	61	35

### Applicable Criteria

- Trading Entities – <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

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

CRISIL Ratings in its press release dated June 28, 2017 inter alia has stated the following: Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Uday Autolink Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Uday Autolink Private Limited is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL B rating category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL C'.

**Any other information:** Not Applicable

**Rating History for the 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
Electronic Dealer Finance	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4
Dropline overdraft	Not Applicable	Not Applicable	Not Applicable	13.51	SMERA B/Stable
Proposed Electronic Dealer Finance	Not Applicable	Not Applicable	Not Applicable	8.99	SMERA A4

### Note on complexity levels of the rated instrument:

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

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## ABOUT SMERA

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