

Press Release

Ujjwal Autowheels Private Limited

25 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 crore
Long Term Rating	SMERA BBB- / Stable (Assigned)

*Refer annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 12.00 crore bank facilities of Ujjwal Autowheels Private Limited (UAPL). The outlook is '**Stable**'.

Ujjwal Autowheels Private Limited (UAPL), a Nashik-based company incorporated in 2006 by Mr. Minal Choudhary is an authorised dealer of Hyundai Motors India Limited. The company also deals in spares and servicing facilities.

Key rating drivers

Strengths

Established track record of operations and experienced management

UAPL is an authorised dealer of Hyundai Motors India Limited (Nashik). The company is led by Mr. Minal Choudhary (Managing Director), an engineer who has been in the said line of business for over four decades. UAPL also deals in spares and servicing facilities. SMERA believes that UAPL will sustain its existing business profile on the back of its experienced management and established track record of operations in the auto dealership business.

Long standing relations with reputed principal

UAPL is an authorised dealer of HMIL since 2008. Over the years, the company has been able to establish healthy relations with its OEM. HMIL is one of the largest manufacturers of passenger cars in the world.

Moderate financial risk profile

The financial risk profile of UAPL is moderate marked by tangible net worth of Rs. 5.21 crore. The total debt consists of Rs. 1.17 crore of unsecured loan from promoters and Rs. 8.57 crore as working capital borrowings from the bank. The gearing is high at 1.87 times in FY2017 as against 1.75 times as on 31 March 2016. The Interest coverage ratio stood at 3.30 times in FY2017 as against 3.37 times in FY2016. The DSCR stood at 2.56 times in FY2017 as against 2.97 times in FY2016.

The Net Cash Accruals stood at Rs. 1.41 crore in FY2017 as against Rs. 1.61 crore in FY2016. The NCA/TD ratio stood at 0.14 times in FY2017 compared to 0.22 times in FY2016. SMERA believes that UAPL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

Comfortable working capital cycle position and healthy liquidity

UAPL has Gross Current Assets (GCA) days of 53 for FY2017 against 49 for FY2016. This is mainly due to low inventory holding period of 29 days and receivable days of 7 for FY2017. The average bank limit utilisation stood at 80.50 per cent for the last six months ended February 2018. The cash and bank

balance stood healthy at Rs. 5.83 crore as on 31 March 2018. SMERA believes that the company will manage its working capital cycle efficiently on the back of healthy liquidity over the medium term.

Weaknesses

Stiff competition from other dealers and auto companies

The automobile industry in India is highly competitive. The company faces competition from other established HMIL dealers in Nashik and also from other automobile companies such as Maruti, Tata Motors etc.

Analytical Approach

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

Applicable Criteria

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

Outlook- Stable

SMERA believes the outlook on UAPL will remain 'Stable' over the medium term on account of the experienced management and long standing relation with reputed principal. The outlook may be revised to 'Positive' in case the company achieves substantial growth in revenue while maintaining operating profit margins and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and operating profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	121.52	96.66	77.81
EBITDA	Rs. Cr.	2.91	3.06	2.01
PAT	Rs. Cr.	1.11	1.31	0.65
EBITDA Margin (%)	(%)	2.39	3.17	2.58
PAT Margin (%)	(%)	0.92	1.36	0.84
ROCE (%)	(%)	20.13	24.51	31.58
Total Debt/Tangible Net Worth	Times	2.96	2.75	5.02
PBDIT/Interest	Times	3.30	3.75	2.39
Total Debt/PBDIT	Times	3.31	2.33	4.22
Gross Current Assets (Days)	Days	53	49	67

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

None

Any other information

None

Rating History

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB-/Stable (Assigned)

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ABOUT SMERA

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