

## Press Release

### Bhadrakali Autocare Private Limited

May 16, 2019



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 12.00 crore bank facilities of Bhadrakali Autocare Private Limited (BAPL). The outlook is '**Stable**'.

BAPL, incorporated in February, 2019, is promoted by Mr. Gandra Bhoopal Reddy and Mr. Gandra Goutham Reddy. BAPL has got approval for authorised dealership from Maruti Suzuki India Ltd (MSIL) during February 2019. It is setting up a showroom 'Arena' for sale of vehicles, spares and accessories and for service of its passenger cars. The showroom is coming at Hanamkonda in Warangal (Telangana) and is expected to be ready for operations by August 2019.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BAPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoter, Mr. Gandra Bhoopal Reddy has 49 percent shareholding with entrepreneurial experience of about three decades in various industries. The other promoter, Mr. Gandra Goutham Reddy has about 5 years' experience. Promoter experience should help BAPL in bringing up the unit timely, and early stabilisation of its operations. The project cost is expected at about Rs.6.56 crore, and operations are expected to commence by August 2019. Acuité believes that promoters' experience and market leader position of MSIL are expected to support in its business risk profile over the medium term.

#### Weaknesses

- **Ongoing capex and funding risk**

The company is in the process of setting up a showroom under the name 'Arena' at Hanamkonda in Warangal (Telangana). The total envisaged project cost is around Rs.6.56 crore which is proposed to be funded out of term loan of Rs.4.50 crore, and rest through equity and unsecured loan. Of the promoters' contribution of Rs.2.06 crore, they have already brought in about Rs.1.50 crore as on May 08, 2019. The company has approached the bank for sanction of term loan and is waiting for financial closure; this exposes it to funding and implementation risk. Acuité believes that any undue delay in sanction and disbursement of term loan is expected to delay the project completion and starting of commercial operations are the key rating sensitivity factors.

- **Exposure to risks related to scalability**

The automobile dealership industry is highly fragmented. Moreover, BAPL's scale of operations will be modest, and scalability will be limited because of presence in a single location. Also, operations and profitability will depend on the principal supplier, MSIL. Suppliers typically encourage more dealerships (thereby increasing competition among dealers) and impose stiff sales targets to improve market penetration and sales. Acuité believes that BAPL, being new into this segment, slowdown in passenger car sales including MSIL, competition from other established MSIL dealers and other brands are the challenging factors for sustainability in the near term.

### **Liquidity Position:**

BAPL is at project level operations. Its expected accruals post commercialisation is expected to be at modest levels though sufficient to cover the debt obligations. Liquidity will be aided by the financial support extended by the promoters.

### **Outlook: Stable**

Acuité believes that the outlook on BAPL will remain 'Stable' over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' in case of early completion of the project and better than expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any cost or time overrun in the project or less-than-expected accruals leading to stretch in its liquidity.

### **About the Rated Entity - Key Financials**

Not Applicable. BAPL is expected to commence operations in August 2019.

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

Not Applicable

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Services Sector Entities - <https://www.acuite.in/view-rating-criteria-8.htm>

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

<https://www.acuite.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable

### **Contacts**

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 <a href="mailto:srihari.adari@acuite.in">srihari.adari@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 <a href="mailto:bhavani.sankar.oruganti@acuite.ratings.in">bhavani.sankar.oruganti@acuite.ratings.in</a>	

**About Acuité Ratings & Research:**

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