

June 11, 2013

Facilities	Amount (Rs. Crore)	Rating
Term Loan	5.80	SMERA BB-/Stable (Assigned)
Cash Credit	17.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA BB Minus**), to the fund based facilities, and '**SMERA A4+**' (read as **SMERA A Four Plus**) to the non fund based facilities of Excell Autovista Private Limited (EAPL). The outlook is **Stable**. The ratings are constrained by subdued demand in the domestic auto industry, high competition and inherently low-margin nature of the business. The ratings also factor in the company's modest financial risk profile. These weaknesses are offset by an experienced management and strong relationship with Maruti Suzuki India Limited (MSIL).

The ratings factor the inherent cyclicity in the auto industry and the current subdued demand scenario. Consequently, EAPL has also experienced stagnant volumes over the last two years. During FY2011-12 and FY2012-13 (provisional), the company's car sales volumes increased by a mere 2 and 3 per cent, respectively. EAPL's current year operations were also affected by the labour unrest in MSIL's Manesar plant. The ratings also factor the risk of high competition from other automobile companies (like Honda, Tata Motors, Hyundai, Chevrolet, etc) that are launching new models at competitive prices and also from MSIL's expanding dealership network. As a result, EAPL continues to operate on thin and declining margins, the PAT margin has declined to 0.21 per cent in FY2011-12, as compared with 0.30 and 0.39 per cent in FY2010-11 and FY2009-10, respectively.

EAPL has a modest financial risk profile marked by low net worth of Rs.4.0 crore. The debt policy is also aggressive and total leverage was high at 5.8 and 5.2 times as on March 31, 2012 and March 31, 2011, respectively, mainly on account of high working capital requirements. The management has however demonstrated continuous support to the business by way of unsecured loans and the company does not have any external long term loans.

The ratings draw support from the management's experience; Mr. Madhup Agarwal (Promoter and Director) has experience of almost a decade in the automobile industry. The ratings also factor in EAPL's established relationship with MSIL.

Outlook - Stable

SMERA believes that EAPL's outlook will remain stable over the medium term driven by the steady sales of new cars on account of the recently established showroom at Kharghar. The outlook may be revised to 'Positive' if the company registers higher growth in car sales with a corresponding

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improvement in its financial profile. The outlook may be revised to 'Negative' in case of higher leverage, additional stress on working capital or a decline in the volumes of cars sold.

About the Company

EAPL was incorporated in 2005 and is a Mumbai-based authorized dealer for Maruti Suzuki India Limited (MSIL). EAPL was formed by Mr. Madhup Agarwal, who has more than three decades of experience (one decade in automobiles). Mr. Madhup Agarwal is ably supported by his son Mr. Sunny Raj Agarwal, who acts in the capacity of a Director and plans to expand the business.

EAPL has two showrooms located at Bandra (rented) and Kharghar (owned). Besides the two showrooms, EAPL also has a service station at Santa Cruz and 'True Value' outlet at Kandivali. New car sales account for a major portion (97.5 per cent) of the total revenues and the remaining revenues come from the service outlet. EAPL plans to scale up operations and establish four service outlets in the current year.

For FY2011-12, EAPL reported PAT of Rs.0.44 crore on operating income of Rs.206.62 crore as compared with PAT of Rs.0.63 crore on operating income of Rs.210.18 crore in FY2010-11. For the eleven months ended February 2013, the company registered revenues of Rs.236 crore (provisional).

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