

February 12, 2014

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

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) to the fund based bank facilities and '**SMERA A4+**' (read as SMERA A four plus) to the non-fund based bank facilities of Excell Autovista Private Limited (EAPL). The outlook is '**Stable**'. The ratings are constrained by the current slowdown in the domestic automobile industry and the highly competitive and inherently low-margin nature of the automobile dealership business. The ratings are further constrained by the company's modest financial risk profile. However, the ratings are supported by the company's experienced management and strong relationship with Maruti Suzuki India Limited (MSIL).

EAPL, incorporated in 2005, is a Mumbai-based authorized dealer of Maruti Suzuki India Limited (MSIL). EAPL is exposed to the inherent cyclical nature in the automobile industry, which is currently facing a slowdown. The company registered stagnant sales volumes in FY2011-12 (refers to financial year, April 01 to March 31) due to supply constraint arising from labour unrest at MSIL's Manesar plant. However, EAPL's car sales volumes increased in FY2012-13, mainly due to expansion of the Kharghar showroom. EAPL is exposed to intense competition from MSIL's expanding dealership network and dealers of other automobile companies, including Honda, Tata Motors, Hyundai and Chevrolet. Consequently, EAPL continues to operate on thin profit margins. The company's PAT margin declined from 0.21 per cent in FY2011-12 to 0.16 per cent in FY2012-13.

EAPL has a modest financial risk profile marked by low net worth of Rs.4.98 crore as on March 31, 2013. The company follows an aggressive leverage policy with total debt-to-equity ratio of 5.99 times and 5.83 times as on March 31, 2013 and March 31, 2012, respectively, mainly on account of high working capital requirements. However, the management has extended continued support to the business by way of unsecured loans. EAPL does not have any external long-term debt.

EAPL benefits from its experienced management. Mr. Madhup Agarwal, Promoter and Director of EAPL, has around ten years of experience in the automobile industry. The company reported operating income of Rs.255.27 crore in FY2012-13, a growth of 24 per cent year-on-year.

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Outlook: Stable

SMERA believes that EAPL's outlook will remain stable over the medium term on account of the steady growth in sales of new cars. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in car sale volumes with a corresponding improvement in financial profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's car sales volumes, leverage and working capital management.

About the company

EAPL, incorporated in 2005, is a Mumbai-based authorized dealer of Maruti Suzuki India Limited (MSIL). The company is currently managed by Mr. Madhup Agarwal (Promoter) and Mr. Sunny Raj Agarwal (son of Mr. Madhup Agarwal).

EAPL has two showrooms located in Bandra (Mumbai) and Kharghar (Navi Mumbai). The company also has a service station in Santa Cruz (Mumbai) and a 'True Value' outlet in Kandivali (Mumbai). EAPL derives about 97.5 per cent of its total revenues from sale of new cars. The company plans to scale up its operations and establish three service outlets in the current year.

For FY2012-13, EAPL reported PAT of Rs.0.42 crore on operating income of Rs.255.27 crore, as compared with PAT of Rs.0.44 crore on operating income of Rs.206.26 crore for FY2011-12. The company's net worth stood at Rs.5.41 crore as on March 31, 2013.

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