

December 20, 2013

Facilities	Amount (Rs. Crore)	Rating
Inventory Funding	10.00	SMERA BB/Stable (Assigned)
Inventory Funding (Proposed)	10.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.20.00 crore long-term bank facilities of BRD Car World Limited (BCWL). The outlook is '**Stable**'. The rating is constrained by the company's low profit margins and moderate financial risk profile. The rating is further constrained by the intense competition prevalent in the automobile dealership business and the cyclical nature associated with the automobile industry. However, the rating is supported by the company's satisfactory growth in sales over the last few quarters. The rating is also supported by the company's experienced management and established association with Maruti Suzuki India Limited.

BCWL, established in 2008, is a Kerala-based authorized dealer for Maruti Suzuki India Limited (MSIL). BCWL operates six 4S (sales, second-hand sales, service and spares) showrooms, seven retail sales outlets and three service stations. The company also operates a driving school (Maruti Driving School) and two educational institutions that offer diplomas in automobile engineering. BCWL is exposed to intense competition arising from MSIL's expanding dealership network. The company is also susceptible to competition from dealers of other automobile companies including Hyundai, Tata Motors and Chevrolet. BCWL's operations are exposed to the inherent cyclical nature associated with the automobile industry, which is currently undergoing a slowdown. The company's net profit margin declined from 0.38 per cent in FY2011–12 (refers to financial year, April 01 to March 31) to 0.28 per cent in FY2012–13. BCWL's return on capital employed (RoCE) is low at 9.05 percent in FY2012–13.

BCWL has a moderate financial profile with total debt-to-equity ratio at 1.37 times as on March 31, 2013. The company's external borrowings mainly comprise working capital loans. BCWL's working capital-intensive operations are supported by inventory funding limit of Rs.10.00 crore (average utilisation of 89 per cent during April 2013 to August 2013), cash credit facility of Rs.12.00 crore and unsecured loans from group entities. The company has recently converted a part (Rs.4.00 crore) of its cash credit facility into a term loan.

BCWL's revenue growth was stagnant in FY2011–12 due to supply constraint arising from labour unrest at MSIL's Manesar plant. However, BCWL registered satisfactory performance over the last few quarters. The company's sales volumes increased from 2,733 units in FY2011–12 to 3,506 units in FY2012–13. Moreover, the company sold 1,985 new cars during April 2013 to September 2013 as compared with 1,577 new cars sold during the corresponding period of the previous year.

BCWL benefits from its experienced management. Mr. C. C. William Verghese, Mr. C. C. Simon and Dr. Griger Cherry Williams, Directors of BCWL, have over four decades of experience in the auto dealership business.

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BCWL is a part of the BRD Group of Companies, which has diversified interests in chit promotion, hire purchase, asset financing, vehicle sales and industrial training. BRD Group's asset financing companies support around 30 per cent of BCWL's car sales.

Outlook: Stable

BCWL will continue to benefit over the medium term from its experienced management and established association with MSIL. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

BCWL, incorporated in 2008, is a Kerala-based authorized dealer for Maruti Suzuki India Limited (MSIL). BCWL is promoted by Mr. C. C. William Verghese, Mr. C. C. Simon, late Mr. K. C. Seemon and Mr. Shibu Job Cheeraan. The company is currently managed by Mr. C. C. William Verghese, Mr. C. C. Simon and Dr. Griger Cherry Williams. BCWL is mainly engaged in sale of new cars, pre-owned vehicles (under Maruti True Value) and car spare parts and accessories. The company is also involved in servicing vehicles and operating a driving school (Maruti Driving School).

For FY2012–13, BCWL reported PAT of Rs.0.55 crore on operating income of Rs.196.24 crore, as compared with PAT of Rs.0.49 crore on operating income of Rs.131.20 crore for FY2011–12. The company's net worth stood at Rs.21.01 crore as on March 31, 2013, as compared with Rs.20.46 crore a year earlier.

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