

February 04, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit (Dealer Financing)	20.00	SMERA BB+/Stable (upgraded from SMERA BB/Stable)

SMERA has upgraded the long-term rating on the Rs.20.00 crore bank facility of BRD Car World Limited (BCWL) to '**SMERA BB+** (**read as SMERA double B plus**) from 'SMERA BB'. The outlook is '**Stable**'. The upgrade reflects improvement in the company's financial risk profile. The upgrade also reflects healthy revenue growth registered by the company despite slowdown in the automobile sector. The rating continues to draw comfort from the company's experienced management and established association with Maruti Suzuki India Limited. However, the rating remains constrained by the company's exposure to intense competition in the automobile dealership business. The rating also notes that the company is susceptible to the inherent cyclical in the automobile industry.

Update

BCWL's net profit margin has improved from 0.28 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 0.45 per cent in FY2013-14 on account of increase in share of service income. The company's interest coverage ratio increased to 2.20 times in FY2013-14 from 2.09 times in FY2012-13. BCWL's debt service coverage ratio (DSCR) stood at 2.02 times in FY2013-14, as compared with 1.92 times a year earlier. The company's external borrowings mainly comprise working capital loans. BCWL's working capital-intensive operations are supported by dealer financing limit of Rs.20.00 crore (interest of 10.55% p.a.); cash credit facility of Rs.7.00 crore and unsecured loans from group entities. The company's utilisation of dealer financing limit is moderate at 88 per cent during July 2014 to December 2014. In the current financial year, BCWL has repaid interest-bearing unsecured loans of Rs.7.15 crore (interest of 14% p.a.). The interest-free unsecured loans of Rs.4.00 crore will be retained in the business.

BCWL's sales volumes increased from 3,506 units in FY2012-13 to 3,860 units in FY2013-14 despite slowdown in the automobile sector. The company sold 3,179 new cars during the period April 2014 to December 2014, as compared with 2,896 new cars sold during the corresponding period of the previous year.

BCWL benefits from its experienced management. The directors of the company have around four decades of experience in the automobile dealership business.

BCWL is a part of the BRD Group of Companies, which has interests in chit promotion, hire purchase, asset financing, vehicle sales and industrial training.

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Outlook: Stable

SMERA believes BCWL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with MSIL. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving improvement in profitability and financial risk profile. 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 undertakes sale of new cars, pre-owned vehicles (under Maruti True Value), spare parts and accessories. The company is also engaged in servicing vehicles and operating a driving school (Maruti Driving School).

For FY2013-14, BCWL reported profit after tax (PAT) of Rs.0.95 crore on operating income of Rs.213.95 crore, as compared with PAT of Rs.0.55 crore on operating income of Rs.196.24 crore in FY2012-13. The company's net worth stood at Rs.21.96 crore as on March 31, 2013, as compared with Rs.21.01 crore a year earlier.

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