

Press Release

BRD Car World Limited

August 17, 2017



Rating Upgraded

Total Bank Facilities Rated	Rs. 33.00 crore
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

SMERA has upgraded the long-term rating on the above mentioned bank facilities of BRD Car World Limited (BCWL) to '**SMERA BBB**' (read as SMERA triple B) from '**SMERA BBB-**' (read as SMERA triple B minus). The outlook is '**Stable**'.

BCWL, incorporated in 2008, is a Kerala-based authorised dealer for Maruti Suzuki India Limited (MSIL) 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. BCWL also has a NEXA showroom which caters to the mid-premium segment. The company is also engaged in the servicing of vehicles and operates a driving school (Maruti Driving School).

List of key rating drivers and their detailed description:

Strengths

Experienced Management: 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 that has interests in chit promotion, hire purchase, asset financing, vehicle sales and industrial training.

SMERA believes that BCWL will continue to benefit from its experienced management and synergies received from being a part of a diverse group.

Healthy business risk profile: BCWL registered healthy revenue growth of ~24 per cent in FY2016-17 (Provisional) over the previous year. Revenue stood at Rs.368.44 crore in FY2016-17 (Provisional) as against Rs.296.57 crore in FY2015-16. The sales volumes increased from 5,717 cars in FY2016-17 as against 4,863 cars in FY2016. The operating margins marginally improved from 3.15 per cent in FY2015-16 to 3.77 per cent in FY2016-17 (Provisional). The company registered healthy net cash accruals of Rs. 4.95 crore in FY2015-16 and Rs.7.65 crore in FY2016-17 (Provisional) with term debt obligations of around Rs.1.00 crore. SMERA believes that BCWL will maintain a healthy business risk profile on the back of its established market presence in Kerala.

Healthy financial risk profile with comfortable liquidity: BCWL has a healthy financial risk profile

marked by tangible networth of Rs.29.03 crore as on 31 March, 2017 (Provisional) as against Rs.24.20 crore as on 31 March, 2016. The gearing improved to 1.13 times as on 31 March, 2017 (Provisional) as against 1.52 times as on 31 March, 2016. The total debt of Rs.32.73 crore as on 31 March, 2017 comprises majorly of working capital loan of Rs. 27.10 crore and term loan of Rs. 5.63 crore.

BCWL has a healthy interest coverage ratio of 4.29 times in FY2016-17 (provisional) as against 2.41 times in FY2015-16. Going forward, the gearing is expected to remain comfortable in the medium term on account of absence of future external borrowing. BCWL plans to set up a service centre in FY2017-18 at a project cost of Rs.3.00 crore to be funded through internal accruals.

BCWL's working capital cycle has remained comfortable at 41 days in FY2017 (33 days in FY2016). The company has efficiently managed its working capital requirements with average utilisation at 75 per cent for the six month ended May 2017.

SMERA believes that BCWL will sustain its healthy financial risk profile on the back of healthy cash accruals and absence of debt funded capex plans.

Weaknesses

Stiff competition from other dealers of Maruti and other automobile brands: With Maruti focusing on expanding its dealership network, competition within its own dealers is only expected to increase. Furthermore, the company is also exposed to competition from other automobile companies such as Honda, Tata Motors, Hyundai, Chevrolet. Launch of new models at competitive prices will eat into the market share of Maruti which in turn will affect its dealers including BCWL.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of BCWL.

Outlook: Stable

SMERA believes that BCWL will maintain a stable outlook over the medium term owing to its experienced management and established association with MSIL. The outlook may be revised to 'Positive' if the company registers strong growth in scale of operations while achieving improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues or if the company registers deterioration in its financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, BCWL reported Profit after Tax (PAT) of Rs.1.66 crore on total operating income of Rs.296.57 crore compared with PAT of Rs 0.63 crore on total operating income of Rs.232.15 crore in FY2014-15. The tangible net worth stood at Rs.24.20 crore as on 31 March, 2016 as against Rs.22.54 crore in the previous year. As per provisional financials for FY2016-17, BCWL reported PAT of Rs. 4.82 crore on total operating income of Rs.368.44 crore.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs .Cr.)	Ratings/Outlook
31-Mar-2016	Cash Credit (Dealer Financing)	Long Term	INR 33.00	SMERA BBB-/ Stable (Upgraded)
04-Feb- 2015	Cash Credit (Dealer Financing)	Long Term	INR 20.00	SMERA BB +/ Stable (Upgraded)
20-Dec-2013	Inventory Funding	Long Term	INR 10.00	SMERA BB/ Stable (Assigned)
	Proposed Inventory Funding	Long Term	INR 10.00	SMERA BB/ Stable (Assigned)

*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit (Dealer Financing)	NA	NA	NA	33.00	SMERA BBB/ Stable (Upgraded from SMERA BBB-/Stable)

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ABOUT SMERA

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