

Press Release

BRD Car World Limited (BCWL)

28 December, 2017



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 47.00 Cr. (Enhanced from Rs. 14.00 Cr.)
Long Term Rating	SMERA BBB/Stable (Reaffirmed and Assigned)

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BBB** (read as SMERA triple B) on the Rs. 33.00 crore bank facilities and assigned long term rating of '**SMERA BBB** (read as SMERA triple B) on the Rs.14.00 crore bank facilities of BRD Car World Limited (BCWL). The outlook is 'Stable'.

BCWL, incorporated in 2008, is a Kerala-based authorised dealer for Maruti Suzuki India Limited (MSIL). The company, promoted by Mr. C. C. William Verghese, Mr. C. C. Simon, the Late Mr. K. C. Seemon and Mr. Shibu Job Cheeraan is currently led 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, accessories and servicing of vehicles. The company also has a NEXA showroom which caters to the mid – premium segment and operates a driving school (Maruti Driving School).

Key rating drivers

Strengths

Experienced management: BCWL is part of the BRD Group of Companies that has interests in chit funds, hire purchase, asset financing, vehicle sales and industrial training. The company benefits from its experienced management. The directors have around four decades of experience in the automobile dealership business. SMERA believes that BCWL will continue to benefit from its experienced management and the synergies 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.368.97 crore in FY2016-17 as against Rs.296.57 crore in FY2015-16. Sales volumes increased from 5,717 cars in FY2016-17 as against 4,863 cars in FY2016. The operating margins stood at 3.07 per cent in FY2016-17 and 3.15 per cent in FY2015-16. The company has healthy net cash accruals of Rs. 4.95 crore in FY2015-16 and Rs.6.56 crore in FY2016-17 with term debt obligations of around Rs.1.79 crore. SMERA believes that BCWL will maintain a healthy outlook on the back of its established presence in Kerala.

Healthy financial risk profile with comfortable liquidity: The healthy financial risk profile is marked by tangible networth of Rs.27.28 crore as on 31 March 2017 as against Rs.24.20 crore as on March 31, 2016. The gearing improved to 1.17 times as on 31 March, 2017 as against 1.52 times in the previous year. The total debt of Rs.31.91 crore as on 31 March, 2017 comprises majorly working capital loan of Rs. 26.24 crore, term loan of Rs. 3.87 crore and current portion of long term debt (CPLTD) of Rs.1.79 crore.

BCWL has healthy interest coverage ratio of 3.38 times in FY2016-17 as against 2.41 times in FY2015-16. Going forward, the gearing is expected to remain comfortable in the medium term in the absence of future external borrowing. The company is setting up a service centre in FY2017-18 at a project cost of Rs.3.00 crore to be funded through internal accruals.

The working capital cycle has remained comfortable at 25 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 months ended November 2017.

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

Weaknesses

Stiff competition from other dealers and brands: Maruti's focus on expanding its dealership network is expected to increase competition among its own dealers. Furthermore, the company is also exposed to intense competition from other automobile companies such as Honda, Tata Motors, Hyundai, Chevrolet to name a few. Besides, launch of new models at competitive prices eats into the market share of Maruti which in turn affects dealers including 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 revenue or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	368.97	296.57	232.15
EBITDA	Rs. Cr.	11.33	9.34	7.53
PAT	Rs. Cr.	3.07	1.66	0.63
EBITDA Margin	(%)	3.07	3.15	3.24
PAT Margin	(%)	0.83	0.56	0.27
ROCE	(%)	14.01	11.62	8.55
Total Debt/Tangible Net Worth	Times	1.17	1.52	1.44
PBDIT/Interest	Times	3.38	2.41	2.31
Total Debt/PBDIT	Times	2.82	3.94	4.30
Gross Current Assets (Days)	Days	43	63	67

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
17-Aug-2017	Cash Credit (Dealer Financing)	Long Term	INR 33.00	SMERA BBB/ Stable (Upgraded)
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 (Reaffirmed)
Cash Credit	NA	NA	NA	8.00	SMERA BBB/ Stable (Assigned)

Term Loan I	NA	NA	NA	4.08	SMERA BBB/ Stable (Assigned)
Term Loan II	NA	NA	NA	0.34	SMERA BBB/ Stable (Assigned)
Proposed	NA	NA	NA	1.58	SMERA BBB/ Stable (Assigned)

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ABOUT SMERA

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