

**February 03, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	30.00	SMERA BBB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB-**' (read as **SMERA triple B minus**), to the above-mentioned fund based bank facilities of Magic Auto Private Limited (MAPL). The outlook is '**Stable**'. The rating is supported by the company's healthy revenue growth, moderate net profit and healthy debt protection metrics. The rating is also supported by the company's efficient working capital management, experienced management and long-standing association with Maruti Suzuki India Limited (MSIL). However, the rating is constrained by MAPL's exposure to intense competition prevalent in the automobile industry, which is currently undergoing a slowdown.

MAPL, incorporated in 1989, is a Delhi-based authorized dealer for MSIL. MAPL's revenues increased at a healthy compound annual growth rate (CAGR) of 19 per cent during the past five years. MAPL's net profit margin increased from 0.77 per cent in FY2011-12 to 0.91 per cent in FY2012-13. The company's leverage is moderate at 1.62 times as on March 31, 2013. MAPL's total debt (of Rs.27.66 crore as on March 31, 2013) comprises short-term loans for inventory funding. The company has strong interest coverage ratio of 4.33 times in FY2012-13. MAPL has efficient working capital management as reflected in gross current assets of 37 days (average for last five years).

MAPL benefits from its experienced management. The company's promoters have around three decades of experience in the automobile dealership business. MAPL also benefits from its long-standing association (spanning around 10 years) with MSIL.

MAPL is exposed to intense competition from various dealers of MSIL and other automobile companies, including Honda, Tata Motors, Hyundai and Chevrolet. The company is also exposed to the inherent cyclicity in the automobile industry, which is currently undergoing a slowdown.

MAPL sold 9,915 cars in FY2012-13, as compared with 10,040 cars sold in FY2011-12, a marginal reduction of 1 per cent. Further, the company sold about 7,000 cars during April 2013 to December 2013.

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**Outlook: Stable**

SMERA believes that MAPL's outlook will remain stable over the medium term on account of the company's established set up and steady sales volumes. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in sales volumes, with a corresponding improvement in financial profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile on account of decline in sales volume or increase in debt-funded working capital requirements.

**About the company**

MAPL, incorporated in 1989, is a Delhi-based company promoted by the Kochar family. MAPL was awarded Maruti dealership in July 2004. The company has four showrooms (two owned and two rented) in Dwarka and Karol Bagh, Delhi. MAPL also has three workshops (one owned and two rented) and two true value outlets (owned).

For FY2012-13, MAPL reported PAT of Rs.4.44 crore on operating income of Rs.488.76 crore, as compared with PAT of Rs.3.33 crore on operating income of Rs.433.93 crore for FY2011-12. Further, the company reported revenues of Rs.380 crore (provisional) during April 2013 to November 2013. MAPL's net worth stood at Rs.17.05 crore as on March 31, 2013, as compared with Rs.12.61 crore a year earlier.

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