

**February 06, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	15.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA B)** to the Rs.15.00 crore bank facilities of Satman Automobiles Private Limited (SPL). The outlook is '**Stable**'. The rating is primarily constrained by the company's short track record of operations and limited geographical presence. The rating is also constrained by the company's exposure to intense competition prevalent in the automobile dealership industry, which is currently undergoing a slowdown. However, the rating is supported by the company's experienced management.

SPL, incorporated in 2012, is a New Delhi-based authorized dealer of Skoda cars and spares. SPL commenced commercial operations in June 2012. The company is exposed to geographical concentration risk as its operations are restricted to the Delhi NCR region. SPL faces intense competition from various dealers of Skoda and other automobile companies such as Toyota, Ford and Honda. SPL thus has a weak bargaining power with its customers and principal. The company is exposed to the current slowdown in the automobile industry. Major automobile manufacturers are facing flagging sales owing to high interest rates and hike in petrol and diesel prices. Inventory levels of automobile dealers have risen around 40 per cent (year-on-year) during April-August 2013.

SPL benefits from its experienced management. Ms. Meghna Choksey, director of SPL, has around ten years of experience (derived through group entities) in the car dealership business.

Outlook – Stable

SMERA believes SPL will maintain a moderate business risk profile in the medium term on the back of Skoda's new product launches at competitive prices. Moreover, SPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial improvement in its scale of operation, profit margins, coverage indicators and working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital management, or in case of deterioration in the company's capital structure

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SMERA RATINGS LIMITED

Satman Automobiles Private Limited (SPL)

**Rating
Rationale**

About the company

SPL, incorporated in 2012, is a New Delhi-based authorized dealer of Skoda cars and spares. SPL has a showroom in South Delhi. The company also has a service center in the vicinity of its showroom.

For FY2012–13, SPL reported PAT of Rs.0.03 crore on operating income of Rs.32.64 crore. The company's net worth stood at Rs.0.08 crore as on March 31, 2013.

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