

February 13, 2014

| Facilities | Amount (Rs. Crore) | Rating |
|-------------------|--------------------|-----------------------------|
| Cash Credit | 15.00 | SMERA BB-/Stable (Assigned) |
| Inventory Funding | 5.00 | SMERA BB-/Stable (Assigned) |

SMERA has assigned a rating of **'SMERA BB-' (read as SMERA double B minus)** to the above-mentioned bank facilities of Pandit Automotive Satara Private Limited (PASTR). The outlook is **'Stable'**. The rating is constrained by the company's declining sales volumes and below-average financial risk profile amidst intense competition prevalent in the automobile dealership business. The rating is also constrained by the company's exposure to the inherent cyclicity in the automobile industry. However, the rating is supported by the company's experienced management and established association with Tata Motors Limited (TML).

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profile of the holding company — Pandit Automotive Private Limited (PAPL) and its wholly-owned subsidiaries — Pandit Automotive Sangli Private Limited (PASNG) and Pandit Automotive Satara Private Limited (PASTR). The aforementioned entities are collectively referred to as the 'Pandit Group'. The consolidation is in view of the group's similar business model and common management. The consolidation also considers the mid-year transfer of dealerships from the holding company to the subsidiaries.

PASTR was established in 2011 to take over PAPL's commercial vehicle (CV) dealership of TML in Satara (Maharashtra), with effect from FY2012-13 (refers to financial year, April 01 to March 31). PASTR is currently the sole CV dealer for TML in Satara. The Satara dealership's sales volume increased from 1,936 units in FY2011-12 to 2,310 units in FY2012-13. However, the sales volumes declined from 1,062 units in the first six months (April to September) of FY2012-13 to 984 units in the corresponding period of FY2013-14.

PASTR has a below-average financial risk profile marked by high leverage at 5.66 times as on March 31, 2013 and moderate interest coverage ratio of 2.08 times for FY2012-13. The company's total borrowings mainly comprise working capital loans. PASTR's working capital-intensive operations are supported by cash credit limit and inventory funding limit of Rs.20.00 crore (average utilisation of ~87 per cent during May 2013 to October 2013).

The Pandit Group's revenues declined from Rs.1,175.88 crore in FY2011-12 to Rs.963.30 crore in FY2012-13 due to slowdown in the automobile industry. The group has a weak consolidated financial risk profile, as reflected in high leverage at 6.14 times as on March 31, 2013 and low interest coverage ratio of 1.34 times for FY2012-13. The group's operating profit margin improved from 3.28 per cent in FY2011-12 to 4.09 per cent in FY2012-13 due to increase in sale of spare parts and accessories. The

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group has maintained net profit margin in the range of 0.4 per cent to 0.5 per cent during the past three years.

The Pandit Group derives about 35 per cent of its total revenues from the passenger vehicle segment, which is highly competitive owing to the presence of a large number of automobile manufacturers, including Maruti Suzuki, Hyundai and Chevrolet. However, the Pandit Group benefits from TML's market leadership in the commercial vehicle segment. The group's operations are exposed to the inherent cyclicity in the automobile industry, which is currently undergoing a slowdown. In October 2013, TML reported 33.44 per cent and 30.26 per cent year-on-year decline in sales volume of passenger vehicles and commercial vehicles, respectively.

Outlook: Stable

PASTR will continue to benefit over the medium term from its experienced management and established presence in the Satara region. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations while maintaining comfortable operating profit margins and achieving better debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues amidst intensifying competition in its area of operation, or in case of a deterioration in the company's financial risk profile due to higher-than-expected increase in debt-funded working capital requirements.

About the group

PAPL was incorporated in 1980 to take over the running business of Automotive Services — a proprietorship concern established in 1956 by Mr. R. H. Pandit. PAPL is the authorized dealer of passenger vehicles and commercial vehicles of TML. PAPL is also an authorized dealer of Fiat India. PAPL operated in three districts Maharashtra viz. Pune, Satara and Sangli. In 2011, PAPL's management floated two new companies (PASNG and PASTR) to take over the dealerships at Satara and Sangli, with an aim to separate the profit centres.

PAPL is currently headed by Mr. Abhijit Deshpande, Mr. Vijay Gokhale, Mr. Shirish Joshi and Mr. Sanjeev Vartak.

For FY2012-13 (as per consolidated financials), PAPL reported PAT of Rs.3.97 crore on operating income of Rs.963.30 crore, as compared with PAT of Rs.6.03 crore on operating income of Rs.1,175.88 crore for FY2011-12. The group's consolidated net worth stood at Rs.34.07 crore as on March 31, 2013, as compared with Rs.30.11 crore a year earlier.

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