

March 11, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	15.00	SMERA BB-/Negative (rating reaffirmed; outlook revised)
Inventory Funding	5.00	SMERA BB-/ Negative (rating reaffirmed; outlook revised)

SMERA has reaffirmed the rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the abovementioned bank facilities of Pandit Automotive Sangli Private Limited (PASNG). The outlook is revised to '**Negative**' from 'Stable'. The revision in outlook is in view of deterioration in the company's liquidity position. The rating continues to draw comfort from the company's established association with Tata Motors Limited. The rating is also supported by the company's experienced management. However, the rating is constrained by the company's below-average financial risk profile. The rating is also constrained by the company's exposure to intense competition in the automobile dealership business.

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profile of the holding company viz. Pandit Automotive Private Limited (PAPL) and its wholly-owned subsidiaries viz. 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.

Update

PASNG's PV sales declined from 899 units in FY2012-13 to 511 units in FY2013-14. The company's CV sales declined from 2,044 units in FY2012-13 to 1,843 units in FY2013-14. PASNG sold 349 passenger vehicles and 999 commercial vehicles during April-September 2014, as compared with 314 passenger vehicles and 994 commercial vehicles in the corresponding year of the previous year. The company's revenues declined to Rs.83.17 crore (for the period April-September 2014) from Rs.89.14 crore a year earlier on account of discounts given to customers. PASNG is currently the sole PV and CV dealer for Tata Motors in Sangli.

PASNG's below-average financial risk profile is marked by high leverage of 2.91 times as on March 31, 2014 and low interest coverage ratio of 1.51 times in FY2013-14. The company's total borrowings mainly comprise working capital loans. PASNG's stretched liquidity position is reflected in high utilisation (~97 per cent) of cash credit limit and inventory funding limit during June 2014 to January 2015.

Pandit Group's revenues declined from Rs.956.14 crore in FY2012-13 to Rs.849.29 crore in FY2013-14 on account of slowdown in the automobile industry. The group's weak consolidated financial risk profile is reflected in high leverage of 7.37 times as on March 31, 2014 and low interest coverage ratio

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of 1.31 times in FY2013–14. Pandit Group's operating profit margin remained stable at 4.19 per cent in FY2013–14 on account of increase in sale of spare parts and accessories. The group's net profit margin has marginally declined from 0.41 per cent in FY2012–13 to 0.37 per cent in FY2013–14.

Pandit Group derives ~35 per cent of its total revenues from the passenger vehicle segment, which is highly competitive owing to the presence of several players such as Maruti Suzuki, Hyundai and Chevrolet. However, the Pandit Group benefits from Tata Motors' market leadership in the commercial vehicle segment. The group's operations are exposed to the inherent cyclicity in the automobile industry, which is currently showing some signs of recovery.

Outlook: Negative

SMERA believes the outlook on PASNG's rated facilities will remain 'Negative' over the medium term. The rating may be downgraded by multiple notches in case of sustained stretch in the company's liquidity position. Conversely, the outlook may be revised to 'Stable' in case the company registers sustained improvement in its liquidity position.

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 an authorized dealer of passenger vehicles and commercial vehicles manufactured by Tata Motors. PAPL is also an authorized dealer of Fiat India.

PAPL initially operated in Pune, Satara and Sangli. In 2011, PAPL's management floated two new companies (PASNG and PASTR) to take over the dealerships in 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 FY2013–14 (as per consolidated financials), PAPL reported profit after tax (PAT) of Rs.3.13 crore on operating income of Rs.849.29 crore, as compared with PAT of Rs.3.97 crore on operating income of Rs.956.14 crore in FY2012–13. The group's consolidated net worth stood at Rs.40.24 crore as on March 31, 2014, as compared with Rs.37.12 crore a year earlier.

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SMERA RATINGS LIMITED

Pandit Automotive Sangli Private Limited
(PASNG)

Rating
Rationale

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