

July 24, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Term Loan	1.15	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	0.60	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long-term rating assigned to the above mentioned bank facilities of Vinayak Cars Private Limited (VCPL) to '**SMERA BB-' (read as SMERA double B minus)** from 'SMERA B+' and short term rating to '**SMERA A4+' (read as SMERA A four plus)** from 'SMERA A4'. The outlook is '**Stable**'. The upgrade is in view of improvement in margins and receipt of two new dealerships in FY2014-15 viz. Yamaha Motors and DSK Benelli. The ratings continue to draw comfort from the company's experienced management and established association with Skoda Auto India Private Limited. However, the ratings remain constrained by the below-average financial risk profile amidst intense competition in the automobile dealership business. The ratings are also constrained by the company's exposure to the inherent cyclicity in the automobile industry.

Outlook: Stable

SMERA believes that VCPL will continue to benefit over the medium term from its experienced management and established presence in Bengaluru. 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. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or registers deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Company

VCPL, incorporated in 2007, is a Bengaluru-based authorised dealer for Skoda Auto India Private Limited. The company has also taken dealership of Yamaha Motors and DSK Benelli for two wheelers. VCPL operates two showrooms and two service stations for Skoda and one showroom and service station each for Yamaha and DSK Benelli in Bengaluru. The company also has a stockyard (with stacking capacity of 152 cars) in K. R. Puram, Bengaluru.

For FY2013-14, VCPL reported net profit of Rs.0.52 crore on operating income of Rs.86.42 crore as compared with net profit of Rs.0.55 crore on operating income of Rs.114.14 crore in the previous year. VCPL's net worth stood at Rs.3.29 crore as on March 31, 2014, as compared with Rs.3.58 crore a year earlier.

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SMERA RATINGS LIMITED

Vinayak Cars Private Limited (VCPL)

Rating
Rationale

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