

January 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.00 (Enhanced from Rs.5.00 crore)	SMERA BB-/Stable (Reaffirmed)
Term Loan	1.15	SMERA BB-/Stable (Reaffirmed)
Letter of Guarantee	0.45	SMERA A4+ (Reaffirmed)
Proposed Cash Credit	5.00	SMERA BB-/Stable (Assigned)

SMERA has reaffirmed the ratings of the above mentioned bank facilities of Vinayak Cars Private Limited (VCPL) as '**SMERA BB-'** (read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**). The outlook is '**Stable**'. The ratings continue to reflect the improvement in margins and receipt of two new dealerships in FY2014-15 viz. Yamaha and DSK Benelli. Further, 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 below-average financial risk profile amidst intense competition prevalent in the automobile dealership business. The ratings are also constrained by the company's exposure to 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 in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Scaling up of operations while maintaining its operating margins
- Working capital management

About the Company

VCPL, incorporated in 2007, is a Bengaluru-based authorized dealer for Skoda Auto India Private Limited. In FY2014-15, VCPL has received new dealerships in the two wheeler segment from Yamaha and DSK Benelli. 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

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SMERA RATINGS LIMITED

Vinayak Cars Private Limited (VCPL)

Rating Rationale

For FY2014-15, VCPL reported net profit of Rs.0.52 crore on operating income of Rs.86.42 crore as compared with net profit of Rs. 0.52 crore on operating income of Rs. 86.42 crore in the previous year.

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