



SMERA RATINGS LIMITED

Kaizen Auto (Kaizen)

*Rating
Rationale*

April 04, 2014

Facilities	Amount (Rs. Crore)	Rating
Inventory Funding Limit	14.00	SMERA B/Stable (Assigned)
Cash Credit	3.50	SMERA B/Stable (Assigned)
Proposed Cash Credit	2.50	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)** to the Rs. 20.00 crore bank facilities of Kaizen Auto (Kaizen). The outlook is '**Stable**'. The rating is constrained by the firm's short track record of operations and limited geographical presence amidst intense competition prevalent in the automobile dealership industry. However, the rating is supported by the firm's experienced management.

Kaizen, incorporated in 2013, is a New Delhi-based authorized dealer of Nissan cars and spare parts. Kaizen commenced commercial operations in June 2013. The firm is exposed to geographical concentration risk as its operations are restricted to Delhi National Capital Region (Delhi NCR). Kaizen faces intense competition from various dealers of Nissan and other automobile companies (such as Toyota, Ford and Honda). The firm is also exposed to the current slowdown in the automobile industry.

Kaizen benefits from its experienced management. Mr. Kunal Ramchandani, proprietor of Kaizen, has around two decades of experience (derived through group entities) in the car dealership business.

Outlook: Stable

SMERA believes Kaizen will maintain moderate business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and profit margins while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's working capital cycle, or in case of deterioration in the firm's capital structure.

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About the firm

Kaizen, incorporated in 2013, is a New Delhi-based authorized dealer of Nissan cars and spare parts. Kaizen has a showroom and service centre in South Delhi. The firm registered revenue of Rs.28.24 crore (provisional) during October 2013 to February 2014.

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