

July 17, 2015

Facility	Amount (Rs. Crore)	Ratings
Cash Credit	5.50	SMERA B+ / Stable (upgraded from SMERA B/Stable)
Cash Credit (proposed)	14.50	SMERA B+ / Stable (upgraded from SMERA B/Stable)

SMERA has upgraded the long-term rating on the Rs.20.00 crore bank facility to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA B**' (read as SMERA B) of Kaizen Auto (Kaizen). The outlook is '**Stable**'. The upgrade reflects healthy growth in revenues reported by the firm. The rating continues to draw comfort from the firm's experienced management. However, the rating remains constrained by the firm's short track record of operations and limited geographical presence amidst intense competition prevalent in the automobile dealership industry.

Update

Kaizen's healthy growth in revenues is reflected by increase in revenues to Rs.106.18 crore (provisional) in FY2014-15 from Rs.40.38 crore in FY2013-14. The firm continues to benefit from its experienced management. Kaizen is headed by Mr. Kunal Ramchandani, the managing partner who has around two decades of experience in the car dealership business (derived through group entities).

However, the firm is exposed to geographical concentration risk as its operations are restricted to Delhi National Capital Region (Delhi NCR). Besides, 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.

Outlook: Stable

SMERA believes Kaizen will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant improvement in profit margins, coverage indicators and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial profile.

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About the Firm

Kaizen, incorporated in 2013, is a New Delhi-based authorised dealer of Nissan cars and spare parts. The firm has a showroom and service centre in South Delhi.

For FY2013-14, Kaizen reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.40.38 crore. The firm registered revenue of Rs.106.18 crore (provisional) for FY2014-15. Kaizen's net worth stood at Rs.2.96 crore as on March 31, 2014.

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