

May 30, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan - I	7.00	SMERA BB+/Stable (Assigned)
Term Loan - II	5.00	SMERA BB+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the Rs.12.00 crore long-term bank facilities of Coimbatore Anamallais Agencies Private Limited (CAAPL). The outlook is '**Stable**'. The rating is arrived after factoring in the information provided by the company. The rating is supported by the company's established track record of operations and experienced management. The rating is further supported by the company's healthy revenue growth and strong coverage indicators. However, the rating is constrained by the company's low profit margins amidst intense competition in the auto dealership business. The rating is also constrained by the company's exposure to inherent cyclical in the automobile industry.

CAAPL, incorporated in 1991, is a Coimbatore-based authorized dealer for Toyota Kirloskar Motor Limited (Toyota). CAAPL operates eight fully equipped showrooms and ten show window showrooms. The company is the sole dealer for Toyota passenger cars in the southern region of Tamil Nadu. CAAPL benefits from its experienced management. Mr. P. K. Duraisamy, managing director of CAAPL, has around three decades of experience in the company's line of business.

CAAPL's revenues increased at a healthy compound annual growth rate (CAGR) of 36.64 per cent during FY2008-09 (refers to financial year, April 01 to March 31) to FY2012-13. However, as per information provided by the management, the company's sales volume decline from 5,179 units in FY2011-12 to 3,525 units in FY2012-13. CAAPL's comfortable financial risk profile is marked by moderate gearing (debt-to-equity ratio) of 1.30 times as on March 31, 2013 and healthy interest coverage ratio of 7.08 times in FY2012-13.

CAAPL's net profit margin is low at 1.63 per cent in FY2012-13. The company is exposed to intense competition from dealers of various other automobile companies, including Hyundai, Tata Motors and Chevrolet. CAAPL's operations are susceptible to the inherent cyclical in the automobile industry.

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**Outlook: Stable**

SMERA believes CAAPL will benefit over the medium term from its established track record of operations and experienced management. The outlook maybe revised to 'Positive' in case the company generates sustained growth in net cash accruals. Conversely, the outlook maybe revised to 'Negative' in case of further decline in the company's sales volume, or in case of deterioration in the company's profitability.

**About the company**

CAAPL, incorporated in 1991, is a Coimbatore-based authorised dealer of four-wheeler vehicles and spare parts manufactured by Toyota. CAAPL operates eight showrooms, including three 3S (sales, services and spares) outlets, four 1S (sales) outlets and one 2S (sales and service) outlet in Tamil Nadu. The company also has ten show window showrooms in South Tamil Nadu.

For FY2012–13, CAAPL reported profit after tax (PAT) of Rs.8.54 crore on operating income of Rs.520.32 crore, as compared with PAT of Rs.1.19 crore on operating income of Rs.362.82 crore for FY2011–12. Further, the company registered revenues of Rs.398.12 crore (as per sales tax returns) in FY2013–14. CAAPL's net worth stood at Rs.19.69 crore as on March 31, 2013, as compared with Rs.11.15 crore a year earlier.

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