

August 27, 2015

| Facilities     | Amount<br>(Rs. Crore) | Rating                        |
|----------------|-----------------------|-------------------------------|
| Term Loan - I  | 7.00                  | SMERA BB+/Stable (Reaffirmed) |
| Term Loan - II | 5.00                  | SMERA BB+/Stable (Reaffirmed) |

SMERA has reaffirmed the rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the above mentioned bank facilities of Coimbatore Anamallais Agencies Private Limited (CAAPL). The outlook is '**Stable**'. The rating reflects the company's established relationship with its principal (Toyota), extensive experience of the promoters in the automobile dealership business and it's above average financial risk profile marked by comfortable gearing and strong coverage indicators. These strengths are partially offset by company's exposure to intense competition in the automobile dealership business.

### Update

CAAPL recorded revenues of Rs.467 crores during FY2014-15 (refers to financial year, April to March), implying a moderate compound annual growth rate (CAGR) of 14 per cent over the five years ended March 2015 and in line with SMERA's expectations. SMERA expects the company to sustain its revenue growth over the medium term, driven by its established network in the southern part of Tamil Nadu. The company's operating margins have remained moderate in the range of 3 to 4 per cent over the past three years on account of intense competition in the industry. SMERA expects the company's profitability to remain moderate over the medium term. The company's liquidity position remains comfortable marked by effective working capital management, healthy cash balance and healthy cash accruals resulting in comfortable financial risk profile.

### Rating Sensitivity Factors

- Significant improvement in revenues and profitability
- Future capital expenditure plans and its funding
- Sustenance of efficient working capital management

### Outlook: Stable

SMERA believes that the company would continue to benefit from the extensive experience of the management in the automobile dealership business and established relationship with its principal. The outlook maybe revised to 'Positive' if the company achieves significant growth in cash accruals whilst maintaining its effective working capital management. Conversely, the outlook maybe

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revised to 'Negative' in case of decline in cash accruals or in case of deterioration of working capital management resulting in deterioration in the company's financial risk profile, particularly liquidity.

### **About the Company**

Incorporated in 2009, CAAPL is a Coimbatore-based authorised dealer of Toyota vehicles in southern part of Tamil Nadu.

### **Contact List:**

| <b>Media/Business Development</b>  | <b>Analytical Contact</b>  | <b>Rating Desk</b>   |
|--|--|--|
| Antony Jose<br>Vice President – Business Development<br>Tel: +91-22-6714 1191<br>Cell: +91-98208 02479<br>Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a><br>Web: <a href="http://www.smera.in">www.smera.in</a> | Mohit Jain<br>Vice President – Rating Operations<br>Tel: +91-22-6714 1105<br>Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a> | Tel: +91-22-6714 1184<br>Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a> |

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