

June 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	5.75	SMERA B+/Stable (Assigned)
Cash Credit	0.50	SMERA B+/Stable (Assigned)
Inventory Funding (EDFS)	3.50	SMERA A4 (Assigned)
Proposed Cash Credit Limit	10.25	SMERA B+/Stable (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as SMERA Single B plus) and '**SMERA A4**' (read as SMERA A four) to the Rs.20.00 crore bank facilities of Aditya Cars Private Limited (ACPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record of operations and below-average financial risk profile. The ratings are also constrained by the company's exposure to slowdown in the automobile industry. However, the ratings are supported by the company's experienced management.

ACPL, incorporated in 2012, is a Jalgaon-based authorized dealer of cars and spare parts manufactured by Honda Cars India Ltd. ACPL commenced commercial operations in April 2013. The company's below-average financial risk profile is marked by debt-equity ratio of 2.95 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.82 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31) on account of debt-funded working capital requirements. ACPL is susceptible to the current slowdown in the automobile industry. According to data released by Society of Automobile Manufacturers (SIAM), passenger car sales in India declined from 26.66 lakh units in FY2012-13 to 25.03 lakh units in FY2013-14 on account of consistently high inflation and interest rates, escalating fuel costs and uncertainties in job environment.

ACPL benefits from its experienced management. The promoters of the company have around two decades of experience (derived through group entities) in the automobile dealership business.

Rating sensitivity factors

- Increase in car sales volumes
- Improvement in financial profile

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Outlook: Stable

SMERA believes ACPL will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in car sales volume while achieving comfortable profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve scalability in revenues amidst prolonged slowdown in the automobile sector, 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.

About the company

ACPL, incorporated in 2012, is a Jalgaon-based company promoted by Mr. Aditya Jakhete and Mrs. Preeti Jakhete. ACPL is currently the only authorized dealer of Honda passenger cars in Jalgaon, Maharashtra.

ACPL has a showroom (spread over 18,000 sq. ft.) in Jalgaon. The company also has a warehouse near its showroom. ACPL plans to set up another showroom (for Honda cars) in Dhulia (Maharashtra) by January 2015.

For FY2013-14 (as per provisional financial statements), ACPL registered net profit of Rs.0.70 crore on net sales of Rs.22.00 crore. The company's net worth stood at Rs.3.71 crore (provisional) as on March 31, 2014.

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