



SMERA RATINGS LIMITED

# Aditya Cars Private Limited (ACPL)

## Rating Rationale

**July 30, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Term loan	5.29	SMERA B+/Stable (Reaffirmed)
Inventory Funding (EDFS)	4.25	SMERA A4 (Reaffirmed)
Bank Guarantee	0.10	SMERA A4 (Reaffirmed)
Proposed Cash Credit Facility	10.36	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.15.65 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A four**) on the Rs.4.35 crore short-term bank facilities of Aditya Cars Private limited (ACPL). The outlook is '**Stable**'. The ratings continue to be constrained by the below average financial risk profile and short track record of operations. However, the rating derives comfort from the management's experience in the auto dealership business (in two wheelers).

### Update

ACPL's revenues increased from Rs.21.87crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.27.67crore (provisional) in FY2014-15. The company's operating profit margin increased from 4.22 per cent in FY2013-14 to 4.77 per cent (provisional) in FY2014-15.

ACPL's financial risk profile has marginally improved on account of better working capital cycle. The company's gearing (debt-equity ratio) improved from 3.62 times as on March 31, 2014 to 3.11 times as on March 31, 2015. ACPL's interest coverage ratio improved from 1.35 times in FY2012-13 to 1.40 times in FY2013-14.

### Outlook: Stable

SMERA believes that ACPL will benefit from the promoter's experience in the auto dealership business. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst subdued macro-economic scenario or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### About the Company

Incorporated in the year 2012, ACPL started operations on April 1, 2013. The company is the sole authorised dealer of Honda passenger cars in Jalgaon and has a showroom and workshop admeasuring 18,000 sq. ft and a warehouse close by.

Vehicle sale is the highest revenue generating segment of the company (94%). The company is promoted by Mr. Aditya Jakhete and Mrs. Preeti Jakhete.

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For FY2014–15, ACPL reported net profit of Rs.0.38 crore (provisional) on total income of Rs.27.67 crore, as compared with net loss of Rs.0.33crore on total income of Rs.21.87crore in FY2013–14. The company's net worth stood at Rs.3.05 crore as on March 31, 2014, as compared with Rs.2.67 crore a year earlier.

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