

July 03, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of Viraj Automobiles Pvt. Ltd. (VAPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record of operations. The ratings are also constrained by the company's exposure to geographical concentration risk and intense competition. However, the ratings are supported by the company's healthy financial risk profile.

VAPL, established in 2010, is an authorized dealer of Volkswagen cars in Noida. VAPL is also engaged in trading of handloom cloth. The company's operations are concentrated within Noida. Moreover, VAPL faces intense competition from dealers of other automobile manufacturing companies, including Skoda, Toyota, Maruti, Ford and Honda.

VAPL's healthy financial risk profile is marked by low gearing (debt-equity ratio) of 0.98 times (provisional) as on March 31, 2014 and moderate interest coverage ratio of 1.77 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). VAPL has received an award of appreciation from Volkswagen (Germany) for selling highest number of cars (Vento) in India in FY2012-13.

### **Outlook: Stable**

SMERA believes VAPL will maintain a moderate business risk profile in the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the company's profitability and capital structure.

### **About the company**

VAPL, established in 2010, is a Lucknow-based company owned by Mr Ajay Agarwal. VAPL is an authorized dealer of Volkswagen cars. The company has a showroom and workshop (spread over 7,645.49 sq. mt.) in Noida. VAPL is also engaged in trading of handloom cloth.

For FY2013-14 (as per provisional financial statements), VAPL reported profit after tax (PAT) of Rs.0.79 crore on net sales of Rs.54.73 crore, as compared with PAT of Rs.0.75 crore on net sales of

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Rs.39.91 crore in the previous financial year. The company's net worth stood at Rs.8.54 crore (provisional) as on March 31, 2014, as compared with Rs.5.65 crore a year earlier.

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