



Archana Motors Private Limited (AMPL)

November 16, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit (e-Dfs)	11.50	SMERA B-/Stable (Downgraded SMERA B/Stable)
Adhoc Cash Credit (e-Dfs)	3.45	SMERA B-/Stable (Downgraded SMERA B/Stable)

SMERA has downgraded the long rating for the above mentioned bank facilities to **SMERA B-/ (read SMERA B minus)** from SMERA B (read as SMERA B). The outlook is '**Stable**'.

The rating reflects deterioration in the company's liquidity position owing to decline in cash accruals on account of lower revenues and profitability.

The ratings continue to reflect AMPL's weak financial profile marked by high gearing and weak interest coverage indicator. However, the rating derives comfort from AMPL's established relationship with its principle (Tata Motors Limited) and extensive experience of the promoters in the automobile dealership business.

Update

AMPL revenues witnessed a year-on-year decline of 23 per cent during 2014-15 (the company recorded revenues of Rs. 98 Crores in 2014-15 as against Rs. 128 Crores in 2013-14). The revenue decline was on account of intense competition and cyclicity in automobile dealership business. The company's profitability has remained moderate in the range of 3 to 4 per cent over the past three years, and is expected to remain moderate owing to intense competition in the industry. The company's liquidity also remains stressed marked by low net cash accruals and elongated inventory holding period.

Rating Sensitivity Factors

- Healthy net cash accruals
- Effective working capital management

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**Outlook:Stable**

SMERA believes that the company will benefit from its experience management and relationship with principle and. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while achieving higher profitability and increasing the networth base. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to deteriorating profitability and debt protection metrics along with higher-than-expected increase in debt-funded working capital requirements.

About the Company

Incorporated in 2011, AMPL is a Kerala-based authorized dealer of commercial vehicles from Tata Motors Limited. The overall operations of the company are managed by Mr. Shibu Job Cheeran, Mrs. Bency Shibu and Mr. M.I. George.

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