

Rating Rationale

AKC Auto Pvt. Ltd.

5th January 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.17.85 Cr of AKC Auto Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
e-DFS	12.50	Long Term	BWR B+ Outlook: Stable
Overdraft	3.44		
Term Loan	1.91		
Total	Rs.17.85 Crores (Rupees Seventeen Crores and Eighty Five Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note: e-DFS electronic Dealer Financing Scheme

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of FY13, FY14, FY15 and provisional financial results of FY16 of AKC Auto Pvt. Ltd., publicly available information and information/clarifications provided by the Company's management.

The rating takes into account the promoters' experience in automobile dealership business, diversified revenue generation through sales & servicing of vehicles, geographical diversification with multiple showrooms in Uttar Pradesh and Company's association with Hyundai Motors India Limited (HMIL), which is the second largest manufacturer in passenger car segment in India. The rating also favorably factors in steady growth in scale of its operations over the past years resulting in improving operating margin.

The rating, however, is constrained by incurred loss in FY14 and FY15, low net-worth, high working capital intensity of its operations leading to leveraged capital structure and weak coverage indicators along with competition from other car dealers in the vicinity and susceptibility of Company's operations to any slowdown in the automobile industry.

Rating Outlook: Stable

BWR believes the AKC Auto Pvt. Ltd. business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

AKC Auto Pvt. Ltd, incorporated in 2006, is a multi-franchisee automobile dealer. Its registered office is located at Shahjahanpur, Uttar Pradesh along with its branch offices at Bareilly, Moradabad and Lakhimpur, all located in Uttar Pradesh. The Company is an authorized dealer of Hyundai Motor India Limited for passenger vehicles, Bajaj Auto Limited for commercial vehicles and Escorts Limited for tractors. The directors of AKC Auto Pvt. Ltd are Shri Ashok Agarwal, Smt. Sadhna Agarwal, Shri Alpit Agarwal and Shri Shivam Agarwal.

Company Financial Performance

As per FY16 provisional financial, the Company has achieved a cash profit of ₹1.54 Cr on revenue of ₹65.36 Cr. The net revenue from operations of the Company stood at ₹24.65 Cr in FY14 and ₹57.95 Cr in FY15.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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