

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB' & 'BWR A4+' rating for Bank Loan Facilities amounting to ₹ 7.50 Cr of Ashutosh Automobiles

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities amounting to ₹7.50 Cr of *Ashutosh Automobiles* **sanctioned**/availed from State Bank of India:

| Facility                                      | Limit (₹ Cr) | Tenure   | Rating   |
|---|--------------|--|--|
| <b>Fund Based Limit</b><br>Direct Cash Credit | 6.60         | Long Term  | <b>BWR BB</b><br>(Pronounced BWR Double B)<br><br><b>Outlook: Stable</b> |
| Stand By Line of Credit                       | 0.90         | Short Term                                       | <b>BWR A4+</b><br>(Pronounced BWR A Four Plus)                           |
| <b>Total</b>                                  | <b>7.50</b>  | <b>(INR Seven Crores &amp; Fifty Lakhs only)</b> |  |

BWR has principally relied on audited financials for FY11, FY12, FY13, provisional financials for FY14 and projected financials of FY15 and FY16, publicly available information and information /clarification provided by the Company's management.

The rating factors inter-alia the promoters' background and experience in automobile industry, established operations and long standing relations with Hero Motor Corp, established marketing arrangements and workshop facilities for servicing, although limited in geographical presence in and around Nagpur area, it has increased its presence with increasing showrooms, ARDs (Authorised Representative Dealers), SSPs (Service Spare Parts Dealers) in and around Nagpur. The rating is however constrained by high competition leading to pricing constraints, pressure on margins, high working capital intensive nature of operations represented, cyclical nature and subdued domestic demand outlook of automobile industry.

### Background

**Ashutosh Automobiles** was initially set up as a Service Dealership Concern in 2002 in Nagpur. The concern is authorized dealer for Hero Motor Corp Ltd. and trades in two wheeler automobiles only. The concern offers services like sale of accessories and spare parts, services of vehicles, warranty claims besides selling two wheeler automobiles.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Management Profile

Ashutosh Automobiles is a proprietary concern established in Nagpur. It is owned by Mr Keshav Khungar. Mr Keshav Khungar aged about 41 years, has completed Bachelor's Degree of Engineering in Mechanical Field from Nagpur University. He has around fifteen years of experience in this field and has over 40 employees working in his concern. Under his leadership the concern has bagged many awards.

### Financial Performance

The Net Sales stand at ₹ 32.00 crores in FY13 against sales of ₹ 36.54 crores in FY12. It has achieved net sales of ₹ 31.78 crores as per FY14 provisional. The Net Profit stands at ₹ 0.43 crores for FY 14 Provisional as against ₹ 0.44 crores for FY 13, however are still at lower levels despite growth in business. The gearing ratio stands at 1.53 for FY 14 Provisional.

### Rating Outlook

The rating reflects the long standing experience of the Promoter in Automobile Industry. The ability of the concern to manage working capital requirement effectively in face of subdued domestic demand of automobile industry would be key rating sensitivities.

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