## Rating Rationale

**Brickwork Ratings assigns the rating 'BWR BB' to Bank Loan Facilities aggregating ₹12.75 Cr of Classic Automobiles.**

Brickwork Ratings has assigned the following **Rating1** to the Bank Loan Facilities aggregating ₹12.75Cr of Classic Automobiles *sanctioned by* State Bank Of India:-

| Facility | Limits(₹ Cr) | Tenure | Rating |
|---|---|---|---|
| **Cash Credit** | **9.50** | **Long Term** | **BWR BB** (Pronounced BWR Double B) **(Outlook-Stable)** |
| **Channel Financing** | **2.50** | | |
| **Adhoc facility** | **0.75** | | |
| **Total** | **12.75** | **INR Twelve Crores Seventy Five Lakhs only** | |

BWR has essentially relied upon audited financial results up to FY14, publicly available information and information provided by the management. BWR has also relied upon the financials of their group concern Dynasty Auto Private Limited with common management.

The rating, factors in the experience of the promoters in dealership industry, long existence of the firm, association with "TATA" brand and the business support of the associate concern "Dynasty Auto Pvt Ltd". The rating also factors in the sustained revenue and operating margins in FY14 y-o-y . The ratings are however, constrained by high competition from other players of similar profile, increased gearing ratio, optimal utilisation of cash credit facility, inherently low profitability margins in dealership business ,small net worth and increased cash conversion cycle on account of increased inventory pressuring margins due to increased interest cost.

**Background:**

The firm Classic Automobiles was established in the year 1996 as a partnership concern by Ms.Abha Prasad(wife of Anil Prasad) and Ms.Sunita Prasad(wife of Rajan Prasad).Its daily operations are managed by Mr.Anil Prasad and Mr.RajanPrasad who are directors of Dynasty Auto Pvt Ltd(group concern).

Its main office is situated in the region of Dhanbad,Jharkhand.The firm has been a dealer with TATA Motors Limited's passenger vehicles since 2000 and has branches in 6 districts of Jharkhand.It has 2 workshops in Dhanbad and Deoghar.Classic Automobiles is a part of Dynasty group which includes Dynasty Auto Private Limited which is in the same line of business started its operations in 2011 with the common promoters.

1 ***Please refer to www.brickworkratings.com for definition of the Ratings***

## Management Profile:

The management consists of partners Ms.Abha Prasad and Ms.Sunita Prasad who have 10 years have experience in running the business .The business operations of the firm is actively managed by their spouses Mr.RajanPrasad and Mr.Anil Prasad who are directors of the related concern *Dynasty Auto Private Limited*.

## Financial Performance:

During FY14, the total revenue of the company has increased to ₹60.54 Cr. The net profit margin was 1.17% and operating profit was 4.25% in FY14.The current ratio is 1.60 times as on FY14 . The debt equity ratio is high which is 2.07 times. The networth is ₹5.74 Cr in FY14.

## Rating Outlook:

Going forward, the ability of the firm to achieve increased revenues, sustaining & improving margins which are inherently low and strengthening its capital structure will remain the key rating sensitivities.


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