



Rating Rationale

Dee Dee Cars Pvt Ltd.

5 Sep 2018

Brickwork Ratings assigns the rating for Bank Loan Facilities amounting to Rs.10.50 Crs of Dee Dee Cars Pvt. Ltd.

Particulars:

Facility	Amount Rated (Rs. in Crs)	Tenure	Rating
Fund Based WC-e-dfs Passenger Cars	10.50	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable
Total	10.50 (INR Ten Crores & Fifty Lakhs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of Dee Dee Cars Pvt. Ltd. (DDCPL) up to FY17, other publicly available information and information/clarifications provided by the company.

BWR's rating derives strength from company's association with the renowned automobile brand 'Renault' as its dealer, moderate growth in revenues in FY17, company's small cash conversion cycle and growing demand for passenger cars in the country. However, the rating continues to remain constrained by DDCPL's modest profitability, Weak financial risk profile indicated by below average debt protection metrics, low tangible net worth, high gearing & low current ratio.

Going forward, increase in the revenues along with the sustained profitability will result in improved capital base for the company, thus reducing the gearing and improving debt protection metrics. However, further decrease in profitability may increase the dependence on external debt and thus deteriorate the financial risk profile of the company further. Therefore, profitability and growth in revenues shall remain the key rating sensitivities.

Key Rating Drivers:

Credit Strengths:

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- **Growth in Revenues in FY17:** The revenues in FY17 grew by 73.31% indicating healthy demand of the Renault India's passenger cars in the market. The profits also increased from Rs 0.10 Cr in FY16 to Rs 0.33 Crores in FY17. However the revenues are expected to be declining to a level of Rs 53.86 Cr. in FY18 (provisional)
- **Association with Renault Brand:** The company has the franchise of one of the leading car makers i.e. Renault. Hence, the company enjoys a brand name which ensures revenue visibility from short to medium term.
- **Small cash conversion cycle** of 38 days (FY17) because of low receivables from Renault India.
- **Growing demand** for the passenger vehicles in the country.

Credit Concern :

- **Modest Profitability:** Company's net margins are modest at 0.57% in FY17 & 0.30% in FY16
- **Poor Financial Risk Profile:** Company has high gearing ratio of 11.31 times in FY17. Also, the ISCR and DSCR are modest at 1.47 times and 1.17 times respectively in FY17.
- **Low tangible net worth:** Tangible net worth in FY17 stood at a modest level of Rs 0.89 Crores in FY17. However, the directors and their relatives have infused unsecured loans to the tune of Rs 0.82 Crores in the business, resulting in the analysed net worth of Rs 1.71 Crores in FY17. The analysed tangible net worth for FY18(Prov.) is coming out to be Rs 2.33 Crs including the unsecured loans from the directors to the tune of Rs 1.12 Crs in FY18(Prov.)
- **Poor current ratio** at 0.89 times in FY17 & 0.95 times in FY16.

About the Company:

Dee Dee Cars Private Limited was established in March 1991 as a private limited company. The company commenced its business from 1st July 2012. The company is engaged in trading of passenger vehicles of Renault which includes hatchbacks, utility vehicles & SUVs. It also trades in the spares & accessories and also get some part of its revenue in the form of service income. It has outlets located in various parts of the Uttarakhand. The company's directors are Mr Rakesh Kumar Oberai, Mr Raghav Oberai , Mrs Anju Oberai and Ms Prachi Oberai .

Rating Outlook: Stable

BWR believes that DDCPL's 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 firm continues to register better growth in revenues and margins.



The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile such as debt coverage metrics and gearing.

Financial Performance:

DDCPL booked total operating income of Rs 58.01 Crores in FY17 as against Rs. 33.47 Crores in FY16. PAT stood at Rs 0.33 Crores in FY17 as compared Rs 0.10 Crores in FY16. Total Operating income as per provisional figures for FY18 stood at Rs 53.86 Crores, whereas the PAT stands at Rs 0.32 Crores for FY18(Prov.)

Parameters		FY 2017(A)	FY 2016(A)
Total Operating Income	Rs in Cr	58.01	33.47
OPBDIT	Rs in Cr	2.18	1.45
PAT	Rs in Cr	0.33	0.10
Tangible Net Worth	Rs in Cr	0.89	0.56
Total Debt/TNW	Times	11.31	17.45

Rating History for the last three years:

Rating in 2018				Rating History		
Facility	Amount Rated (Rs. in Crs)	Tenure	Rating	2017	2016	2015
Fund Based WC-e-dfs Passenger Cars	10.50	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	NA	NA	NA
Total	10.50	(INR Twelve Crores & Fifty Lakhs Only)				

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to **Applicable** **Criteria:**

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



- [Trading Entities](#)

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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

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BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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