

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4+' for the Bank Credit Facilities aggregating ₹ 14.18 Cr of Aakash Automobiles Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Credit Facilities of ₹ 14.18 Cr of Aakash Automobiles Private Limited.

Facility	Limit (₹ Cr)	Tenure	Rating
Cash Credit EDFS	6.50	Long Term	BWR BB (BWR Double BB) (Outlook: Stable)
Cash Credit-Ad hoc limit EDFS	3.00		
Cash Credit- Spare Accessories and Receivables	1.50		
Term Loan	1.18		
Bank Guarantee	2.00	Short Term	BWR A4+ (BWR A Four Plus)
Total	14.18	Fourteen Crores & Eighteen Lakhs only	

The Rating has inter alia, factored the promoters' good experience in the dealership business along with moderate financial risk profile marked by moderate debt protection metrics & moderate gearing ratio. The rating strengths are partially offset by low profit margins, moderate scale of operations & weak macroeconomic indicators affecting the 2-Wheeler demand.

BWR has essentially relied upon the audited financial results of Aakash Automobiles Pvt Ltd upto FY2011-12, projected financials up to FY2014-15 & clarifications provided by the Company.

Background:

Aakash Automobiles Private Limited was incorporated in 2005 and is the authorized dealer of Bajaj Auto Limited. The Company is headquartered in Puducherry and has dealership

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

activities spread in Puducherry along with the neighboring regions in Tamil Nadu, viz., Neivelli, Cuddalore and Vilupuram.

The Company is promoted by Mr. C.Palanivel, who is the Managing Director. He has an immense experience of over 15 years handling various businesses. He has good network in Puducherry & other neighboring districts of Tamil Nadu. The other Director of the Company is Mr. S.Rajavel, who also has immense knowledge & experience in handling a dealership business.

The company has dedicated display cum service stores for 2-Wheeler vehicles of Bajaj Auto Limited, at Puducherry, Cuddalore, Vilupuram and Neivelli. The company also sells 3-Wheeler vehicles of Bajaj Auto Limited at Cuddalore, Tamil Nadu. The company sells these vehicles to the sub-dealers of these 4 regions. The company has a good number of sub-dealers under it and is constantly trying to increase that number. The company also sells authentic spares of Bajaj Auto Limited. The company considers the aggregate demand of its sub-dealers before procuring the vehicles for each month from its principal.

The Company, as an authorized dealer, gets its supplies from Bajaj Auto Limited. The Company's sales to an extent are related to the performance of Bajaj's vehicles and also new launches in various segments. Macroeconomic factors play a very crucial role in the level of demand for these vehicles.

Financial Performance:

The Company's overall turnover has witnessed a growth in revenues for FY11 and FY12 mainly due to increased sales. The operating profit has slightly increased from 2.06% in FY11 to 2.20% in FY12. The net profits have decreased from 0.80% in FY11 to 0.68% in FY12.

The long term debt to net worth ratio of the Company has slightly increased from 0.75 in FY11 to 0.78 in FY12. This ratio is expected to further increase in FY13, primarily due to new term loans being taken by the company. The net worth of the Company has seen an increase partly due to infusion of fresh equity and plough back of profits for FY12. The Company has good Return of Capital Employed (RoCE) at 24.74% for FY12.

The Company has provided a provisional turnover of ₹66.67 Crores for FY13.

Rating Outlook:

The ability of the Company to meet its sales projections while improving its profitability margins in a weak macroeconomic scenario holds the key for the Company's future performance. AAPL's ability to strengthen the capital structure and increase the scale of operations is the other rating sensitivity.

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