

Rating Report

Brickwork Ratings assigns 'BWR BB-/A4' for the Bank Loan Facilities aggregating Rs 9.00 Cr of Abhinandan Motors Private Ltd. (AMPL)

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of AMPL ("AMPL" or "the company"):

Facility	Limits (Rs Cr)	Tenure	Rating
Fund Based: Cash Credit Cash Credit(e-DFS)	5.00 3.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable
Non Fund Based: Bank Guarantee	1.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	9.00	(INR Nine Crores Only)	

BWR has principally relied upon the audited financial results of the company up to FY15, publicly available information and information/clarifications provided by the company.

The rating draws strength from the experience of the promoters in the automobile dealership business and the company's established market position due to its sole dealership of two wheelers and three wheelers of Bajaj Auto Ltd. These rating strengths are partially offset by AMPL's exposure to intense competition in the dealership business leading to pressure on profitability, susceptibility to risks arising from cyclical nature in the automobile industry, limited bargaining power with Bajaj Auto Ltd and working capital intensive nature of operations.

Background

Abhinandan Motors Private Ltd (AMPL) was incorporated in 2006 at Hyderabad, Telangana. The company is an authorised dealer of **Bajaj Auto Limited** for three wheeler vehicles (goods carriers and passenger carriers) since 2005. In October 2010, the company also added the two-wheeler range of Bajaj Auto Ltd to its product portfolio.

AMPL has 17 showrooms at various locations in Hyderabad like Tolichowki, Attapur, Mehdipatnam, Sangareddy, Siddipet, Zaheerabad, Medak, Tupran, Karimnagar, Sricilla Godavarikhani, Jagtial, Peddapalli, Husnabad, Huzurabad, Metpally.

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

Except Mehdiapatnam and Metpally, all other showrooms are equipped with 3S Facilities (Sales, Service Centre and Spare parts sales).

AMPL is part of the Hyderabad based Kothari group which is primarily into automobile Finance, automobile dealership, constructions and logistics businesses for the last three decades. Kothari group is managed by Mr.Swarup Chand Kothari & his son Mr. Rohit Kumar Kothari.

Shareholding pattern and Management

Mr. Rohit Kumar Kothari (99%), and Ms. Sapna Kothari (1%), are the Managing Director and Director of the company respectively. Mr. Rohit Kumar Kothari has 15 years experience in the automobiles dealership industry.

Financial Performance

AMPL's net sales declined from Rs. 104.09 Crores in FY14 to Rs. 90.04 Crores in FY15. Three wheelers contributed around 74% of the revenue in FY15. AMPL reported Profit after tax (PAT) of Rs 0.69 Cr in FY15 as compared to PAT of 0.57 Cr in FY14.

Credit Risk Analysis:

Intense competition in the Sector:

The company is operating in a highly competitive industry. There are a large number of players operating in the industry which reduces the bargaining power with the customers.

Satisfactory operational performance:

The company is an authorised dealer of Bajaj Auto Limited. AMPL has three main showrooms out of seventeen at these respective locations Hyderabad, Karimnagar and Tolichowki. The company sells on an average of 400-500 vehicles per month including two and three wheelers with margin of 15-20 %. The sales are usually high during festive season and on auspicious days.

Average Financial Risk Profile:

The liquidity position of the company is adequate as reflected by a moderate current ratio of 3.09times for FY15. Profitability margin is low at 0.76% in FY15 and is expected to improve with increase in sales and scale of operations.. Improvement in operating profit margins and reduced gearing will be helpful in reducing the credit risk

Working Capital requirement : Availability of adequate working capital is necessary for smooth operations and sufficient liquidity.

Experienced Management:

The company is managed by experienced management team. BWR expects that they will be able to manage the business risks adequately.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to increase its scale of operations, increase services revenue, improve its profitability and manage its working capital efficiently would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Annexure I: Profit & Loss Summary

Particulars (Rs Crs)	FY 13	FY 14	FY 15
Result Type	Audited	Audited	Audited
Net Sales	74.43	104.09	90.04
Operating Expenses	73.65	102.12	88.42
OPBDIT	0.78	1.97	1.62
Depreciation/Amortization/Impairment	0.19	0.19	0.25
OPBIT	0.59	1.78	1.36
Interest and Finance Charges	1.07	1.94	1.66
OPBT	-0.48	-0.16	-0.29
Non Operating Income(Expenses)	0.93	0.99	1.10
PBT	0.45	0.83	0.81
Provision for Taxes	0.15	0.27	0.12
PAT	0.30	0.57	0.69

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Annexure-II: Balance Sheet Summary

Particulars (Rs Crs)	FY 13	FY 14	FY 15
	Audited	Audited	Audited
EQUITY AND RESERVES	1.88	2.45	2.91
Share capital	0.80	0.80	0.80
Reserves and Surplus	1.08	1.65	2.11
Non-current liabilities	0.97	5.71	13.61
Long-Term Borrowings	0.70	5.48	0.60
Other Long Term liabilities	0.27	0.23	13.01
Current liabilities	16.08	18.98	7.17
Short-Term Borrowings	8.09	10.85	4.44
Current Portion Of Long Term Debt	0.06	0.07	0.06
Trade Payables	6.78	7.23	0.90
Other Current Liabilities	0.09	0.02	0.08
Short-Term Provisions	1.06	0.82	1.69
Total Liabilities	18.93	27.14	23.69
ASSETS			
Non-current assets	1.83	1.59	1.55
Net Fixed assets	1.11	0.91	0.78
Deferred Tax Assets (Net)	0.01	0.02	0.11
Other Non Current Assets	0.70	0.66	0.66
Current assets	17.10	25.54	22.14
Inventories	3.81	4.64	7.37
Trade Receivables > Six Months	1.64	0.72	0.39
Trade Receivables < Six Months	4.23	3.00	3.55
Cash and Cash Equivalents	1.58	0.75	1.11
Short-Term Loans and Advances	5.84	16.43	9.72
Total Assets	18.93	27.14	23.69

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Annexure-III: Key Ratios

Particulars (Rs Crores)	Units	FY 13	FY 14	FY 15
		Audited	Audited	Audited
		FY 13	FY 14	FY 15
Total Debt	Crores	8.86	16.39	5.10
Tangible Net Worth	Crores	1.88	2.45	2.91
Total Debt/TNW	Times	4.71	6.70	1.75
ISCR	Times	0.73	1.02	0.98
DSCR	Times	1.33	1.34	1.51
Net Cash Accruals/Total Debt	Times	0.06	0.05	0.17
Net Profit Margin	%	0.41	0.54	0.76
Operating Profit Margin	%	1.05	1.89	1.80
ROCE	%	5.41	12.07	10.21
Current Ratio	Times	1.06	1.35	3.09
Working Capital Cycle				
Days Receivables	Days	29	17	16
Days Inventory	Days	22	17	27
Days Payable	Days	29	28	18