

Susee Motors India Private Limited

| Instruments | Amount (Rs. crore) ¹ | Rating Action |
|--|------------------------------------|---------------------|
| Fund based facilities (long-term) | 3.00 | [ICRA]B reaffirmed |
| Non fund based facilities (short-term) | 3.00 | [ICRA]A4 reaffirmed |

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced ICRA B) outstanding on the Rs.3.00 crore fund based facilities of Susee Motors India Private Limited ("SMIPL" / "the company")². ICRA has also reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) outstanding on the Rs. 3.00 crore non-fund based facilities of the company.

The ratings continue to be constrained by the company's small scale of operations restricted by limited geographies, having sole dealership for three districts in Tamilnadu. The growth in revenues is limited to an extent by the thin product line of VW in domestic market and stiff competition from other OEM brands and the revenues are susceptible to demand cyclicity of passenger vehicle industry. ICRA also considers the impact of the VW emission scandal, leading to fall in sales volumes to 277 vehicles during FY16 as against 323 vehicles during FY15 and the increase in working capital requirement due to higher inventory levels. The ratings are further constrained by the stretched financial position of the company characterised by leveraged capital structure and thin operating margins leading to losses at net level, stretched cash flow position and weak coverage metrics.

The ratings, however, favourably considers the long-standing experience of the promoters in the automobile dealership business and the reputation of 'Susee' brand in Tamilnadu. With the launch of Ameo, which is specially designed for the domestic market and other new model launches in pipeline, the sales is expected to improve.

Going forward, the company's ability to improve its revenues, particularly from the high-margin streams, and thereby its profit margins would be critical to improving the debt metrics and cash flows. Besides, the concerns relating to the VW emission scandal, and the impact on the revenues and profitability during the current financial year remains to be seen.

Profile of the Firm

Incorporated in October 2012, Susee Motors (India) Private Limited is the sole authorised dealer for Volkswagen vehicles in the Vellore, Thiruvannamalai and Kanchipuram districts of Tamil Nadu since January 2013. The company has one 3S (sales, service and spares) showroom in Vellore and about 100 employees as on date.

The 'Susee Group', which traces its origin to a business dealing with trading of pulses/grains started in the late 1930s by Mr. Subramania Nadar and Ms. Seeniyammal, is an established name in the auto dealership space in Tamil Nadu. The group currently has five subgroups – belonging to the descendants of the promoters; all of these operate under the 'Susee' brand, but have no operational or financial linkages. SMIPL belongs to one of the sub groups and is owned and managed by Mr. Soundararajan, son of the aforementioned promoters, and his son Mr. Manivannan. Mr. Soundararajan and Mr. Manivannan have interest in five other entities – two engaged in the auto dealership business, one each in the FMCG, woven sacks manufacturing and education businesses.

Recent Results

The company reported a net loss of Rs. 0.3 crore on an operating income of Rs. 28.5 crore during 2014-15 as against a net loss of Rs. 0.4 crore on an operating income of Rs. 28.7 crore during 2013-14. For the financial year 2015-16 as per unaudited results, the company has achieved revenues of Rs. 27.6 crore and PBDT of Rs. 0.3 crore.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications



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