

## Bimal Auto Agency India Private Limited

Instruments	Amounts	Rating action
	(Rs. crore <sup>1</sup> )	<b>March 2016</b>
Cash Credit (e-DFS)	24.00 (enhanced from 10.00)	[ICRA]BBB (Stable) assigned

ICRA has assigned the long-term rating of [ICRA]BBB (pronounced ICRA triple B)<sup>2</sup> to the Rs. 24.00 crore (enhanced from Rs. 10.00 crore) enhanced fund based limits of Bimal Auto Agency India Private Limited (BAAIPL/ the company). The outlook on the long term rating is Stable.

### Rating Rationale

The rating action takes into account the extensive experience of the promoters as a MSIL car dealer, which continues to remain the market leader in the passenger car segment in India. ICRA notes the company's strong market position by virtue of its widespread presence with 11 sales outlets in and around Bangalore, along with the expected increase in revenues and profits with the launch of three new showrooms in 2015-16. ICRA also takes note of BAAIPL's consistent improvement in operating performance over the years. However, the margins remain under pressure due to high interest and fixed expenses involved in the aggressive expansion of business for the last few fiscals. The rating also derives support from the comfortable liquidity profile of the company, as indicated by its NWC (Net Working Capital) / OI (Operating Income) of 6.86% and moderate debt coverage indicators, as indicated by NCA (Net Cash Accruals) / TD (Total Debt) of 18.60% and OPBDITA / Interest Charges of 2.86 times as on March 31, 2015. BAAIPL's volumes grew by 11% during 2014-15 amid stiff competition from other MSIL dealers within the Bangalore region, with sales skewed towards higher-end / variant cars such as, SCross and Baleno. The ratings also take into account the favorable demand prospects for MSIL, with positive response towards newly launched models, such as SCross and Baleno, through the launch of its premium showroom, 'NEXA', during the current year.

The rating is, however, constrained due to the low bargaining power of the company, wherein pricing policies are determined by MSIL. ICRA notes BAAIPL's exposure to the inherent cyclicity of the passenger vehicle industry by virtue of its linkages to the macro-economic environment. The limited geographical presence of the company, with showrooms only in and around Bangalore is a credit concern. Yet another concern is its leveraged capital structure due to high debt funded capex carried out over the last few fiscals. However, undrawn limits available with the company support its credit profile. The rating also considers the intense competition from other OEM dealers in the region.

Going forward, the key rating sensitivities would remain the company's ability to maintain its profitability at comfortable levels amid competition, while improving its capital structure and strengthening its return indicators.

### Company Profile

Established in the year 2002 as a partnership firm in Bangalore, Bimal Auto Agency is an authorized Maruti Suzuki India Limited (MSIL) passenger car dealer. In 2007, its constitution was changed from that of a Partnership Firm to a Private Limited Company. It is a family-owned business with Mr. Naveen Sarawgi as the Chief Executive Officer. Currently, the company has a presence at around 18 locations in the Bangalore region, with 12 outlets within city limits, 11 sales outlets, more than 11 service outlets, two used car outlets and nine driving schools. BAAIPL has been rated as a platinum dealer in 9 out of 12 years by MSIL.

### Recent Results

During 2014-15, the company reported a net profit of Rs. 3.00 crore on an operating income of Rs. 529.11 crore, as against a net profit of Rs. 2.07 crore on an operating income of Rs. 443.18 crore during 2013-14.

**March 2016**

<sup>1</sup> 100 lakhs = 1 crore = 10 millions

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



*For further details please contact:*

**Analyst Contacts:**

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

**Relationship Contacts:**

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500