



March 12, 2010

ICRA assigns LBB+/A4+ ratings to the bank facilities of Prerana Motors Private Limited

ICRA has assigned an LBB+ (pronounced as L double B plus) rating to the Rs. 240 million fund based limits and the Rs. 55.2 million term loan programme of Prerana Motors Private Limited (PMPL) †. ICRA has also assigned an A4+ (pronounced as A four plus) rating to the Rs. 10 million non fund based limits of PMPL.

The LBB+/A4+ ratings factor in PMPL's established market position as an authorized dealer of Tata Motors commercial and passenger vehicles, its long track record of operations, wide base of operations through showrooms/service centres across several locations and its strong credentials as one of the largest dealers of Tata Motors vehicles in Karnataka. ICRA also notes PMPL's efforts to augment its revenues through sources other than the sale of vehicles, like, service income, sale of spares (PMPL is also an authorized distributor for spares of passenger vehicles) etc. While the revenues from the sale of commercial and passenger vehicles declined sharply in 2007-08 and 2008-09, profitability was supported to an extent by service/spare parts revenues. The ratings are however constrained by the vulnerability of the auto segment to business cycles and the high competitive intensity of the business as reflected in the low level of profitability. Further, the ratings are constrained by the working capital intensive nature of operations and consequent reliance on debt funding resulting in high leveraging (Total Debt/Tangible Net Worth at 3.81 times as on March 31, 2009) and low debt protection indicators.

About the Company

PMPL was established in 1991 in Bangalore as a partnership firm (converted into a private limited company in 1999) and is the authorized dealer for commercial as well as passenger vehicles for Tata Motors Limited. The company has a wide spread network of branches and sales and servicing outlets in Karnataka. Beginning with the first branch at Bangalore in 1991, PMPL currently has four showrooms exclusive for passenger cars in various locations in Karnataka including Bangalore. The company also has three showrooms exclusive for commercial vehicles in its dealership territory in various parts of Karnataka. The company has three service centres for passenger cars in Bangalore and six service centres for commercial vehicle in various parts of Karnataka. PMPL's Operating Income and PAT for 2008-09 were at Rs 3034.5million & Rs 12.2million respectively.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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