



March 8, 2010

## ICRA assign LBB+ (Stable) rating to the bank facilities of Bharat Motors limited

ICRA has assigned an LBB+ (pronounced L double B plus) rating to the Rs 188.4 million bank facilities comprising Rs 88.4 million term loan and Rs 100.00 million cash credit facilities of Bharat Motors Limited (BML)<sup>†</sup>. The outlook on the rating is stable.

The rating factors in the thin operating profit margins and high working capital intensity of the operations of Bharat Motors Limited (BML) – both inherent aspects of the automotive dealership business. The company's capital structure is adverse with a gearing of 2.65 times (as on March 31<sup>st</sup> 2009) with most of the debt related to working capital borrowings and term loans to fund its expansion through new outlets. The rating also considers the track record of the promoters in the automobile dealership business and the established position of the company as an authorized dealer for Hero Honda Motors Limited (HHML), Ashok Leyland Limited (ALL) and General Motors India (GMI) in the assigned areas of Orissa. Presence of different dealerships catering to distinct customer segments mitigates segment concentration risk to an extent. ICRA notes that BML has been on a one year probation period for stocking HHML's spare parts, and a successful completion of the period is likely to confirm the company's status as an authorized stockiest, which augurs well for its turnover and profitability going forward.

### Company Profile

BML is a closely held company, promoted by the Orissa-based Didwania family. BML began as a partnership firm and was converted into a "Limited" company in 1996. BML is an authorised dealer of Hero Honda Motors Limited, Ashok Leyland Limited and General Motors India. During FY 2010, the company has also acquired the dealership of Volkswagen India Private Limited BML is present in various districts through its showrooms of different OEMs in Orissa. The other two companies of the same group are Shri Bharat Motors Limited and Bharat Carriers Limited. While Shri Bharat Motors Limited is a dealer of Tata Motors Ltd for passenger cars and Bajaj Auto Ltd for three wheelers, Bharat Carriers Limited is a transporter and has a fleet of owned 286 trucks, plying all over the country.

During FY 2009, BML reported a net profit of Rs. 2.61 million on net sales of Rs. 1.31 billion. During the first half of FY 2010, the company posted a net profit of Rs. 2.00 million on net sales of Rs. 758.60 million.

### Analyst Contacts:

**Mr. Jayanta Roy**, (Tel. No. +91-33-22876617 / 22800008)  
Jayanta@icraindia.com

### Relationship Contacts:

**Ms. Anuradha Ray**, (Tel. No. +91-33-22876617 / 22800008)  
anuradha@icraindia.com

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](http://www.icra.in)

<sup>†</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.

## PRESS RELEASE

**Disclaimer:** ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website ([www.icra.in](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.