

February 10, 2014

**CARE ASSIGNS 'CARE BB-' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF PLANET WHEELS PRIVATE LIMITED**

**Ratings**

| Facilities                 | Amount<br>(Rs. crore) | Rating <sup>1</sup>          | Remarks  |
|----------------------------|-----------------------|------------------------------|----------|
| Long-term Bank Facilities  | 5.0                   | CARE BB-<br>(Double B Minus) | Assigned |
| Short-term Bank Facilities | 0.75                  | CARE A4<br>(A Four)          | Assigned |
| <b>Total Facilities</b>    | <b>5.75</b>           |                              |          |

**Rating Rationale**

The ratings assigned to the bank facilities of Planet Wheels Private Limited (PWL) are primarily constrained by its small scale of operation, linkage to the fortunes of Bajaj Auto Limited (BAL), pricing constraints and margin pressure arising out of competition from various auto dealers in the market, limited profitability associated with the dealership business and working capital intensive nature of business leading to leveraged capital structure with high gearing. The ratings, however, derive strength from the long experience of the promoters, authorized dealership of BAL and integrated nature of its business.

Going forward, PWL's ability to increase the scale of operations with an improvement in profitability and effective utilization of working capital limits will be the key rating sensitivities.

**Background**

PWL was initially incorporated in August 1995 in the name of JK Products Private Limited by the Maheshwari family of Malda, West Bengal. Subsequently, the name of the company was changed to the current one with effect from April 2002. PWL remained dormant for about seven years and started operation since April 2002 by taking over the promoter's existing proprietorship business 'Siliguri Auto Works' engaged in two-wheelers dealership business of Bajaj Auto since 1995.

Currently, PWL is an exclusive authorised dealer of Bajaj Auto for selling of two-wheelers, spare parts and after-sales services (repair and refurbishment) for the entire Malda district of West Bengal with its single showroom located at Gabagachi, Malda. Apart from this, it has 17 sub-dealers operating in Malda district. At present, PWL's product portfolio consists of popular two-wheelers like 'Pulser', 'Discover', 'Platina', 'Avenger', and 'Ninja' in different models and colours.

JK Wheels Private Limited (turnover Rs.26.47 crore in FY13; refers to the period April 01 to March 31) an associate company of PWL is engaged in dealership business of Maruti Suzuki India Ltd.

As per the audited results for FY13, PWL reported a PBILDT and PAT of Rs.1.1 crore (Rs.1 crore in FY12) and Rs.0.4 crore (Rs.0.3 crore in FY12), respectively, on a total income of Rs.39 crore (Rs.43 crore in FY12). Till 8MFY14, PWL reported a PBT of Rs.0.3 crore on a total income of Rs.19.4 crore.

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<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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