

Press Release

11 March, 2017

MDH Motors Private Limited

Rating Reaffirmed & Assigned

Total Bank Facilities Rated *	Rs.10.00 Cr
Long Term Rating	SMERA B/Stable

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 8.00 cr. and assigned the rating of '**SMERA B**' (**read as SMERA B**) on the Rs.2.00 cr. bank facilities of MDH Motors Private Limited. The outlook is 'Stable'.

The Andhra Pradesh-based MMPL, established in 2011 by Mr. Mohammed Naveed Shaik is an authorised dealer of passenger vehicles for Hyundai Motors. The company also undertakes servicing of vehicles and deals in spare parts. MMPL has one 3S (sales-service-spares) facility in Andhra Pradesh.

Key Rating Drivers

Strengths

- **Experienced management**

MMPL established in 2013 was promoted by Mr. Mohammed Naveed Shaik. The company is an authorised dealer of Hyundai Motors and also deals in sale of spare parts and servicing of vehicles. The promoters have more than two decades of experience in the dealership business.

- **Improving operating income**

As per FY2015-16, the operating income stood at Rs.25.49 crore as against Rs.10.13 cr in FY2014-15. The company registered healthy revenue growth rate over the previous year mainly on account of increase in sales of passenger vehicles. For Q1FY2017 (Provisionals), the operating income stood at Rs.24.10 cr.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is below average marked by low net worth of Rs.2.47 cr and gearing (debt to-equity ratio) at 3.79 times as on March 31, 2016. The interest coverage ratio (ICR) stands at 1.48 times for FY2016. Further, the liquidity profile is stretched as it continues to fully utilise its working capital limits.

- **Declining profitability margins**

In FY2015, the EBITDA stood at 9.00 per cent which declined to 6.09 per cent in FY2016 due to increase in promotion and selling expenses as a percentage of sales. The PAT margin was 0.88 per cent in FY2015 which declined to 0.38 per cent in FY2016.

- **Presence in the highly cyclical industry**

The company is exposed to cyclicalities in the auto dealership industry with large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MMPL while arriving at the rating.

Outlook: Stable

SMERA believes that MMPL will continue to maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to Positive if the scale of operations increases substantially while maintaining operating profitability and registering improvement in its financial risk profile. Conversely, the outlook may be revised to Negative if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

In FY2015-16, the company reported profit after tax (PAT) of Rs.0.10 cr on operating income of Rs.25.49 cr as against net profit after tax (PAT) of Rs.0.09 cr on operating income of Rs.10.13 cr in the previous year. The net worth stood at Rs.2.47 cr as on 31 March 2016 as compared to Rs.2.37 cr as on 31 March 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Sept-2015	Overdraft	Long Term	INR 3 CR	SMERA B / Stable
	Term Loan	Long Term	INR 2 CR	SMERA B / Stable
	Inventory Funding	Long Term	INR 3 CR	SMERA B / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Term Loan	Not Applicable	Not Applicable	31-Mar-2020	2.00	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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ABOUT SMERA

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