

Press Release

Mahalaxmi Automotives Private Limited

January 02, 2020



Rating Reaffirmed

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs.72.20 crore |
| Long Term Rating | ACUITE B+ / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.72.20 crore bank facilities of Mahalaxmi Automotives Private Limited (MAPL). The outlook is '**Stable**'.

Incorporated in the year 1997, Mahalaxmi Automotives Private Limited (MAPL) is based of Pune, Maharashtra. The company is headed by Mr. Sadashiv Satav and his family. The company is an authorized dealer for Maruti Suzuki India Limited (MSIL) and Hero Moto Corp Limited (HML). In addition to this, MAPL has a bus transportation division and supplies 110 buses to Pune Mahanagar Parivahan Mahamandal Limited (PMPML).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Mahalaxmi Automotives Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

MAPL is managed by Mr. Sadashiv Satav and his family members, who have an experience of more than two decades in the automobile industry. Further having an operational track record of operations of more than two decades has enabled the company to have strong presence in the market. The same has also helped the company in establishing healthy relationships with its customers and suppliers.

Weaknesses

- **Significant decline in operating income and profit margin**

The operating income of the company has declined to Rs.341.39 crore in FY2019 from Rs.353.07 crore in FY2018 on account of decline in the revenue generated from the dealership of Her Moto Corp and transportation business. Further the PAT has also declined to Rs.(1.06) crore in FY2019 from Rs.2.76 crore in FY2018.

- **Average financial risk Profile**

The financial risk profile of the company is average marked by average net worth, moderate debt protection measures and high gearing. The net worth of the company declined on account of negative profitability and stood at Rs.34.16 crore as on 31 March, 2019 as against Rs.35.16 crore as on 31 March, 2018. Gearing of the company stood at 2.38 times as on 31 March, 2019 as against 2.36 times as on 31 March, 2018. The total debt of the company stood at Rs.81.24 crore as on 31 March, 2019 consist of long term debt of Rs.27.94 crore, unsecured loans of Rs.0.26 crore and working capital borrowings of Rs.53.04 crore. Interest coverage ratio (ICR) stood at 2.11 times in FY2019 as against 1.96 times in FY2018. Debt to EBITDA stood high at 4.53 times in FY2019 as against 3.73 times in FY2018. TOL/TNW stood at 2.99 times as on 31 March, 2019 as against 2.93 times as on 31 March, 2018.

- **Highly fragmented and competitive nature of the industry**

The rating continues to reflect the highly competitive and fragmented nature of the automotive components industry. Consequently, MAPL's operating profit margin continued to remain decline at (0.31) per cent in FY2019 as compared to 0.78 per cent in FY2018. Since there is a slowdown in the automobile industry and most of the companies in the industry are struggling to sustain their revenues. Furthermore, the industry competition is also with other automobile companies such as Hyundai, Mahindra and Mahindra among others, launching new models with better features results into reducing the market share of Maruti Suzuki, which in turn also affects its dealers including MAPL.

Rating sensitivity factor

- Deterioration in working capital leading to deterioration in liquidity
- Further deterioration in financial risk profile
- Improvement in the operating income and profitability

Material Covenants

None

Liquidity position: Poor

The company has poor liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.8.39 crore in FY2019 as against repayment of Rs.13.76 crore for the same period. The cash accruals of the company is estimated to remain in the range of Rs.11.91 crore to Rs.16.58 crore during 2020-22 against repayment obligations ranging from Rs.13.17 crore to Rs.4.99 crore during the same period . The company's working capital operations are efficient is marked by gross current asset (GCA) days of 76 days in FY2019 as against 64 days in FY2018. The company maintained unencumbered cash and bank balances of Rs.5.55 crore as on 31 March 2019. The current ratio stands at 0.87 times as on 31 March 2019. Acuitè believes that the liquidity of the company is likely to remain poor over the medium term on account of weak net cash accrual to debt repayments over the medium term.

Outlook: Stable

Acuitè believes that Mahalaxmi Automotives Private Limited will continue to benefit over the medium term due to its long track record of operations, experienced management and established relations with its customers. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company's generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|------------------|------------------|
| Operating Income | Rs. Cr. | 341.39 | 353.07 |
| PAT | Rs. Cr. | (1.06) | 2.76 |
| PAT Margin | (%) | (0.31) | 0.78 |
| Total Debt/Tangible Net Worth | Times | 2.38 | 2.36 |
| PBDIT/Interest | Times | 2.11 | 1.96 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Trading Sector - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to previous three years)

| Date | Name of the instrument/facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|--------------|-----------------------------------|-----------|------------------|--|
| May 31, 2019 | Cash Credit | Long term | 2.00 | ACUITE B+/ Stable (Upgraded from ACUITE C) |
| | Cash Credit | Long term | 3.50 | ACUITE B+/ Stable (Upgraded from ACUITE C) |
| | Channel/Dealer/Vendor Financing | Long term | 4.00 | ACUITE B+/ Stable (Upgraded from ACUITE C) |
| | Channel/Dealer/Vendor Financing | Long term | 13.00 | ACUITE B+/ Stable (Upgraded from ACUITE C) |
| | Channel/Dealer/Vendor Financing | Long term | 23.00 | ACUITE B+/ Stable (Assigned) |
| | Term Loan | Long term | 6.00 | ACUITE B+/ Stable (Upgraded from ACUITE C) |

| | | | | |
|------------------|----------------------------------|------------|-------|--|
| | Electronic Dealer Finance Scheme | Long term | 10.00 | ACUITE B+/ Stable (Upgraded from ACUITE C) |
| | Bank Guarantee | Short term | 3.00 | ACUITE A4 (Assigned) |
| | Proposed Fund Based facility | Long term | 7.70 | ACUITE B+/ Stable (Assigned) |
| October 06, 2018 | Cash Credit | Long term | 3.50 | ACUITE C (Indicative) |
| | Cash Credit | Long term | 2.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 13.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 4.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 23.00 | ACUITE C (Indicative) |
| | Term Loan | Long term | 7.00 | ACUITE C (Indicative) |
| | Term Loan | Long term | 9.70 | ACUITE C (Indicative) |
| March 01, 2017 | Cash Credit | Long term | 3.50 | ACUITE C (Indicative) |
| | Cash Credit | Long term | 2.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 13.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 4.00 | ACUITE C (Indicative) |
| | Channel/Dealer/Vendor Financing | Long term | 23.00 | ACUITE C (Indicative) |
| | Term Loan | Long term | 7.00 | ACUITE C (Indicative) |

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|--|-----------|-----------|------|--------------------------|
| | Term Loan | Long term | 9.70 | ACUITE C (Indicative) |
|--|-----------|-----------|------|--------------------------|

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|----------------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Inventory Funding | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE B+/ Stable (Reaffirmed) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE B+/ Stable (Reaffirmed) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.50 | ACUITE B+/ Stable (Reaffirmed) |
| Inventory Funding | Not Applicable | Not Applicable | Not Applicable | 13.00 | ACUITE B+/ Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE B+/ Stable (Reaffirmed) |
| Electronic Dealer Finance Scheme | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE B+/ Stable (Reaffirmed) |
| Inventory Funding | Not Applicable | Not Applicable | Not Applicable | 23.00 | ACUITE B+/ Stable (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A4 (Reaffirmed) |
| Proposed Fund Based facility | Not Applicable | Not Applicable | Not Applicable | 7.70 | ACUITE B+/ Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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