

Press Release

Machino Techno Sales Limited (MTSL)

07 August, 2017

Rating Reaffirmed



Total Bank Facility Rated *	Rs.20.00 Crore
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.19.10.crore bank facilities of Machino Techno Sales Limited (MTSL). SMERA has also assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.0.90 crore proposed bank facility of Machino Techno Sales Limited (MTSL).The outlook is '**Stable**'.

Machino Techno Sales Limited, a Kolkata-based company is an authorised dealer of Maruti Suzuki for passenger vehicles since 1984. Currently, the company has three showrooms and two service centres of 12,000 square feet in and around Kolkata.

List of key rating drivers and their detailed description

Strengths:

Experienced management and established relationship with OEM-MSTL has been in the automobile dealership business for around three decades and has been able to establish strong relationships with its OEM. The Directors, Mr. Murli Dhar Jindal, Mr. Rajiv Jindal and Mr. Arun Jindal have more than three decades of experience in the automobile industry.

Relatively large scale of operations

MSTL's scale of operations is relatively large with revenue of Rs.121.39 crore in FY2016 as against Rs.135.84 crore in FY2015. The fall in revenue is primarily due to discontinuation of its export business (mobile phones) in FY2015 that constituted around 7 per cent, and marginal decline in sales and servicing of passenger vehicles in FY2016. Going forward, SMERA believes that sales and servicing is likely to increase with the commencement of operations at its showroom - Super Carry. Additionally, the company also plans to open a showroom exclusively for Maruti's 'Nexa' and set up a modernised sales and service station near Kolkata.

Above average financial risk profile

MSTL's above average financial risk profile is marked by low gearing, comfortable debt service indicators and healthy net worth. The gearing stood at 0.31 times in FY2016 compared to 0.41 times in FY2015. The interest coverage ratio stood at 2.75 times in FY2016 as against 4.20 times in FY2015. The net worth stood healthy at Rs.32.08 crore in FY2016 as against Rs 31.36 crore in FY2015.

Prudent working capital cycle

The comfortable working capital cycle is reflected in the low gross current assets of 38 in FY2016 as against 56 in FY2015. This is primarily due to better inventory management as reflected in the inventory days of 16 in FY2016 as against 29 in FY2015. The company, on an average utilises around 70 per cent of its bank limit facilities.

Weaknesses:

Decline in profit margins -The trading line of operations of the company translates into low operating margins. The operating margins declined to 2.10 per cent in FY2016 as against 2.82 per cent in FY2015. SMERA has also noticed that the operating margins are supported by the annual rental income of ~ Rs 1.50 crore from the office and godown at Jindal Towers, Kolkata.

Competition from various auto dealers

MTSL faces competition from other dealers of Maruti as well as that of other automobile companies such as Hyundai, Skoda, Toyota, Ford, Honda among others in West Bengal.

Analytical approach-For arriving at the ratings, SMERA has considered the standalone financial performance and financial risk profile of MTS defense.

Applicable Criteria

- Trading Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition:<https://www.smerra.in/criteria-default.htm>

Outlook - Stable

SMERA believes that MTS defense will maintain a stable outlook and continue to benefit over the medium term from its promoters vast experience in the dealership business and its strong presence in Kolkata. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving operating profitability. 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

For FY2016, MTS defense reported PAT of Rs.0.87 crore on total operating income of Rs.121.39 crore compared with PAT of Rs1.59 crore on total operating income of Rs.135.84 crore in FY2015.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for the last three years:

Name of Facilities	FY2018			FY2017		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Inventory Funding	LT	14.10	SMERA BBB- /Stable (Reaffirmed)	23 April, 2016	SMERA BBB- /Stable (Assigned)	-	-	-	-
Cash Credit	LT	5.00	SMERA BBB- /Stable (Reaffirmed)	23 April, 2016	SMERA BBB- /Stable (Assigned)	-	-	-	-
Proposed	LT	0.90	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	-
Wholesale Finance Facility	LT	-	-	23 April, 2016	SMERA BBB- /Stable (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00	SMERA BBB- /Stable (Reaffirmed)
Inventory Funding	NA	NA	NA	14.10	SMERA BBB- /Stable (Reaffirmed)
Proposed	NA	NA	NA	0.90	SMERA BBB- /Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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