

Press Release

Pinnacle Vehicles & Services Private Limited (PVSPL)

09 January, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB-/Stable (Upgraded from SMERA B/Stable)

**Refer annexure for details*

SMERA has upgraded the long term rating on the Rs. 11.00 crore bank facilities of Pinnacle Vehicles & Services Private Limited (PVSPL) to '**SMERA BB-**' (**read as SMERA double B minus**) from '**SMERA B**' (**read as SMERA B**). The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenue along with profitability margins. SMERA believes that going ahead, the firm will sustain growth in revenue and profitability margins over the medium term.

PVSPL is a Kerala-based authorised dealer for Skoda (seven districts) and Hyundai. The company is engaged in the sale of passenger vehicles, spare parts and accessories and undertakes servicing of vehicles.

Key rating drivers

Strengths

Experienced management

PVSPL was incorporated in 2014 by Mr. P.M. Shabeen and Mr. A. T. Moosa. The promoters have more than two decades of experience in the auto dealership business.

Moderate working capital cycle

PVSPL has a moderate working capital cycle marked by Gross Current Asset (GCA) days of 80 in FY2017 (Provisional) compared to 92 in FY2016. The GCA days are mainly dominated by inventory of 66 days in FY2017 (Provisional) compared to 53 days in FY2016. SMERA believes that an efficient working capital management would be imperative for the firm in order to maintain a stable credit profile.

Healthy growth in revenues

PVSPL has registered revenue of Rs. 127.94 crore in FY2017 (Provisional) as against Rs. 58.68 crore in FY2016 and Rs.1.70 crore in FY2015. Further, during April 2017 to October 2017, the company posted revenue of Rs. 87.00 crore. The increase in revenue is mainly on account of further addition of showrooms. SMERA expects revenues to improve in the near to medium term as a result of additional revenues from new showrooms.

Weaknesses

Below average financial risk profile

PVSPL has below average financial risk profile marked by tangible net worth of Rs. 8.64 crore as on 31 March, 2017 (Provisional) as against Rs 7.57 crore as on 31 March, 2016. It includes unsecured loan of Rs. 5.69 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at 3.48 times as on 31 March, 2017 (Provisional) as against 3.62 times as on 31 March, 2016. The debt of Rs.30.10 crore mainly consists of term loans of Rs.7.00 crore and working capital borrowings of Rs.23.10 crore as on 31 March, 2017 (Provisional). The Interest Coverage Ratio (ICR) stood at 1.58 times for FY2017 (Provisional). The Debt Service Coverage Ratio (DSCR) stood at 1.51 times for FY2017 (Provisional). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.99 times as on 31 March, 2017 (Provisional) as against 4.18x times in the previous year. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on 31 March, 2017 (Provisional). SMERA expects the financial risk profile to improve marginally in the near to medium term on account of repayment of existing term loans and absence of major debt funded capex plans.

Limited track record of operations

PVSPL was incorporated in 2014 and operations commenced in FY2015. While the track record of operations is limited, the same is mitigated by the promoter's extensive industry experience in the auto dealership business.

Stiff competition from dealers of other brands

The auto dealership industry is highly competitive. The company faces intense competition from other automobile companies such as Maruti Suzuki, Honda, Tata Motors, Toyota etc as also from other dealers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PVSPL to arrive at the rating.

Outlook – Stable

SMERA believes that PVSPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	127.94	58.68	1.70
EBITDA	Rs. Cr.	4.42	(1.15)	(0.30)
PAT	Rs. Cr.	0.48	(2.70)	(0.39)
EBITDA Margin	(%)	3.46	(1.97)	(17.70)
PAT Margin	(%)	0.38	(4.60)	23.15
ROCE	(%)	11.41	(7.51)	(8.08)
Total Debt/Tangible Net Worth	Times	3.48	3.62	1.19
PBDIT/Interest	Times	1.58	(0.68)	(3.96)
Total Debt/PBDIT	Times	6.81	(17.00)	(14.56)
Gross Current Assets (Days)	Days	80	92	836

Any other information:

Not Applicable

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>

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

None

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Sep-2017	Cash Credit	Long Term	11.00	SMERA B / Stable (Indicative)
17-Aug-2016	Cash Credit	Long Term	11.00	SMERA B / 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	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BB-/ Stable (Upgraded)

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ABOUT SMERA

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