

Press Release

Eros Motors Private Limited

March 15, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.75 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 23.75 crore bank facilities of Eros Motors Private Limited. The outlook is '**Stable**'.

The Nagpur-based Eros Motors Private Limited (EMPL), incorporated in 1999, was promoted by the late Mr. N P Pande. The company, led by Mr. Anuj Pande deals in commercial vehicles, passenger cars and tractors. EMPL is the authorised dealer of Hyundai Motor India Ltd for passenger cars. The company also deals in SML Isuzu's commercial vehicles and Piaggio's three and four-wheelers (light commercial vehicles). Besides, EMPL is an authorised distributor for tractors of Mahindra & Mahindra Ltd in Vidarbha (excluding Nagpur, Yavatmal, Amravati, and Chandrapur).

Key Rating Drivers

Strengths

• Experienced management and established track record of operations

EMPL was incorporated in 1999. The company benefits from its established track record of operations and experienced management. Mr. Anuj Pande, Director, has around 25 years of experience in the automobile industry.

• Reputed principal

EMPL is the authorised dealer of cars (Hyundai), LCV, buses, ambulance (SML ISUZU), auto, cargo vehicles (Piaggio). Further, EMPL is the authorised distributor of Mahindra & Mahindra's tractors for Vidarbha (Maharashtra). Hyundai and Maruti are among the leading players in the automobile industry. SML ISUZU is in the forefront for school buses in India while Piaggio is one of the leaders in the small urban transport vehicles. Mahindra & Mahindra holds a leading position in the tractor segment.

• Efficient working capital management

EMPL has efficient working capital cycle of 44 days supported by low debtors of seven days as on March 31, 2016. The Gross Current Assets days stand at 66 as on March 31, 2016. The average bank limit utilisation has been 75 per cent for the last six months ended November, 2016. The NCA/TD stood at 0.11 times in FY2015-16.

• Growth in revenues

The operating income stood at Rs.183.81 cr in FY2015-16 as compared to Rs.150.86 cr in FY2014-15. For 6MFY2017, EMPL reported revenue of ~Rs. 92.00 cr. Growth in revenue is mainly on account of increase in sales of passenger cars of Hyundai.

Weaknesses

- **Stiff competition from other dealers**

The company is exposed to intense competition from other dealers and automobile companies.

- **Highly cyclical industry**

EMPL is exposed to cyclical in the automobile industry. Demand for combat vehicles is linked to economic growth while that for passenger vehicles are linked to rise in income levels.

- **Moderate financial risk profile**

The gearing level (debt-to-equity ratio) stood at 2.52 times as on 31 March, 2016 as compared to 2.64 times in the previous year. The net worth stood at Rs.7.19 cr in FY2015-16 as against Rs.5.90 cr in FY2014-15. The Interest coverage ratio (ICR) stood at 2.94 times in FY2015-16 as compared to 2.20 times in FY2014-15. The Debt Service coverage ratio (DSCR) stood at 1.38 times in FY2015-16 as compared to 1.18 times in FY2014-15.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of EMPL.

Outlook: Stable

SMERA believes that EMPL will maintain a stable outlook and benefit over the medium term from the promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of better-than-expected revenues and profitability along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of considerable decline in revenue or profitability. Any deterioration in the financial risk profile or working capital management that impacts liquidity may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.29 cr on operating income of Rs.183.81 cr, as compared with PAT of Rs.1.08 cr on operating income of Rs.150.86 cr in FY2014-15. The net worth stood at Rs.7.19 cr as on 31 March, 2016 against Rs.5.90 cr a year earlier.

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)

Not Applicable

***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	4.00	SMERA BB+ / Stable

Term loans	Not Applicable	Not Applicable	31-Mar-2018	0.75	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	17.00	SMERA BB+ / Stable

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ABOUT SMERA

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