

Press Release

Eros Motors Private Limited

March 22, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	-	ACUITE A3 Upgraded
Bank Loan Ratings	31.50	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	6.70	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	40.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 33.50 crore bank facilities of Eros Motors Private Limited (EMPL). The outlook is '**Stable**'.

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 6.70 crore bank facilities of Eros Motors Private Limited (EMPL). The outlook is '**Stable**'.

About the Company

Eros Motors Private Limited, incorporated in 1999, was promoted by the late Mr. N P Pande and is presently managed by Mr. Anuj Pande. The company is based in Nagpur, Maharashtra, and deals in commercial vehicles, passenger cars, and tractors. It is the authorised dealer of Hyundai Motor India Ltd's passenger cars, SML Isuzu's commercial vehicles, and Piaggio's three- and four-wheeler light commercial vehicles. In July 2010, EMPL became an authorised distributor of Mahindra & Mahindra Ltd tractors for Vidarbha region (excluding Nagpur, Yavatmal, Amravati, and Chandrapur).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Eros Motors Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced management and established track record of operations

Mr. Anuj Pande, Promoter and Managing Director of EMPL, has been in the automobile

trading business for over two decades. The senior management team is ably supported by a strong line of mid-level managers. The experience of management is reflected through the growth in revenue of the company to Rs. 187.67 crore in FY2021 as against Rs.181.08 crore in FY2020 and is expected improvement in FY2022. In 10MFY2022 the Company has already achieved a turnover of Rs ~ 177 crore and is expected to close this fiscal year at ~Rs.210.00 crore.

Acuite believes that EMPL will continue to benefit from its experienced management and its established track record of operations.

>Efficient Working capital management

EMPL working capital management is efficient as indicated by its Gross Current Asset days which stood at 47 days as on March 31, 2021 as against 70 days as on March 31, 2020. The decrease in GCA days is mainly driven by improvement in Inventory days which stood at 31 days as on March 31, 2021 as against 47 days as on March 31, 2020. The company's debtor days reduced to 11 days as on March 31, 2021 as against 18 days as on March 31, 2020. The Company receives credit support of 11-12 days from its suppliers. Further, its 6 months average bank limit utilisation of its fund based facility stood at 30.5 percent for the period ended January, 2022. The current ratio increased to 2.80 times as on March 31, 2021, as against 1.49 times as on March 31, 2020.

Acuite believes that EMPL's working capital management will continue to remain efficient over the medium term.

>Moderate Financial risk profile

The company has a moderate financial risk profile marked by moderate net worth, stable gearing and moderate debt protection metrics. Tangible Net worth of the company stood at Rs.17.85 crore as of March 31, 2021 as opposed to 16.09 crore in March 31, 2020. The improvement is on account of accretion of profits to reserves. The overall gearing of the company improved to 0.34 times as on March 31, 2021, from 1.12 times March 31, 2020. The TOL/TNW of the company improved to 0.71 times as of March 2021 from 1.55 times as of March 2020. The improvement in capital structure is majorly due to less utilization in working capital limits and improved tangible networth. The debt protection metrics stood comfortable as the interest coverage ratio improved to 4.35 times for FY 2021 as against 2.37 times for the FY 2020. The DSCR improved to 3.69 in FY2021 from 2.03 times in FY2020.

Acuite believes that in the absence of any major debt funded capex plans, the financial risk profile will remain moderate over the medium term.

Weaknesses

>Competitive industry with limited bargaining power

The Company faces intense competition from other dealers as well as dealers of other OEMs like Maruti, Honda and TATA among others in the nearby region. Moreover, dealers have limited bargaining power with the OEMs considering the fragmented nature of industry which ultimately impacts the profit margins. Further, the company is exposed to inherent cyclicality in the Indian automobile industry as well as regulatory challenges.

Rating Sensitivities

- Improvement in scale of operations without deterioration in margins and capital structure.
- Elongation in working capital cycle.

Material covenants

None.

Liquidity Position: Adequate

The liquidity position continues to remain adequate marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.19 crore in FY2021 and Rs.2.16 crore in FY2020. The company is expected to generate the cash accruals of about 3.08-4.61 crore for the period FY22-23 against the maturing debt obligations of Rs.

2.38-3.08 crore for the same period. The working capital limit utilization of the company stood at 30.5% for the last 6 months ended January 2022. The Liquidity is expected to remain adequate on account of comfortable cash accruals against debt repayment obligations.

Outlook: Stable

Acuité believes that EMPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the promoters, established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' if the firm achieves significant growth in revenue and improvement in profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	187.67	181.08
PAT	Rs. Cr.	1.77	1.69
PAT Margin	(%)	0.94	0.93
Total Debt/Tangible Net Worth	Times	0.34	1.12
PBDIT/Interest	Times	4.35	2.37

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

CRISIL, vide its press release dated March 20, 2018 had denoted the rating to EROS MOTORS PRIVATE LIMITED (EMPL) as 'CRISIL B /Stable /CRISIL A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Feb 2021	Inventory Funding	Long Term	1.00	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.17	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Inventory Funding	Long Term	6.00	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Inventory Funding	Long Term	1.00	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Bank Guarantee	Short Term	2.00	ACUITE A4 (Downgrade and Issuer not co-operating*)
	Term Loan	Long Term	0.33	ACUITE BB- (Downgrade and Issuer not co-operating*)
	Inventory Funding	Long Term	19.00	ACUITE BB- (Downgrade and Issuer not co-operating*)
05 Dec 2019	Inventory Funding	Long Term	2.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Cash Credit	Long Term	4.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Term Loan	Long Term	0.33	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Proposed Bank Facility	Long Term	0.17	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Inventory Funding	Long Term	1.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Inventory Funding	Long Term	17.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Inventory Funding	Long Term	6.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Inventory Funding	Long Term	1.00	ACUITE BB Stable (Downgraded from ACUITE BB+)
30 Sep 2019	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	2.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.50	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	17.00	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	6.00	ACUITE BB+ (Issuer not co-operating*)
	Inventory Funding	Long Term	6.00	ACUITE BB+ Stable (Assigned)
		Short		

16 Jul 2018	Bank Guarantee	Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BB+ Stable (Reaffirmed)
	Inventory Funding	Long Term	2.00	ACUITE BB+ Stable (Assigned)
	Inventory Funding	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Inventory Funding	Long Term	17.00	ACUITE BB+ Stable (Reaffirmed)
	Inventory Funding	Long Term	1.00	ACUITE BB+ Stable (Assigned)
04 May 2018	Cash Credit	Long Term	4.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.75	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
	Inventory Funding	Long Term	17.00	ACUITE BB+ (Issuer not co-operating*)
15 Mar 2017	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.75	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)
	Inventory Funding	Long Term	17.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- Stable Upgraded
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB- Stable Upgraded
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- Stable Upgraded
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- Stable Upgraded
State Bank of India	Not Applicable	Term Loan	01-09-2020	7.4	31-08-2024	0.10	ACUITE BBB- Stable Upgraded
State Bank of India	Not Applicable	Term Loan	01-11-2021	7.4	31-10-2026	1.40	ACUITE BBB- Stable Upgraded
Axis Bank	Not Applicable	Term Loan	01-09-2021	7.98	01-09-2026	4.00	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	01-09-2020	7.4	31-08-2024	2.70	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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