



**Press Release**  
**EROS MOTORS PRIVATE LIMITED**  
**June 19, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.20	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	40.20	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 40.20 crore bank facilities of Eros Motors Private Limited (EMPL). The outlook is 'Stable'.

**Reason for rating reaffirmation**

The rating factors in the improvement in the scale of operations of the company along with the working capital efficient operations of the company. The revenue of the company stood at Rs.217.43 crore in FY22 compared to revenue of Rs.187.67 crore in FY21. The revenue stood at ~Rs.261 crores for FY23. The growth in the operating income is driven by the addition of showroom by the company. The rating also takes into account the moderate financial risk profile of the company marked by the low gearing levels of 0.43 times as on March 31, 2022. The ratings are however constrained by the deterioration in the profitability margins and the competitive nature of industry with limited bargaining power.

**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**

Eros Motors Private Limited was incorporated in 1999, reflecting an established track record of

operations of more than two decades in the said line of business. 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 has helped the company to maintain long standing relation with reputed clients i.e., Hyundai Motor India Limited, SML Isuzu and Piaggio. Acuite believes that EMPL will continue to benefit from its experienced management and its established track record of operations.

### **Moderate financial risk profile**

The company has a moderate financial risk profile marked by moderate tangible net worth, low gearing levels and moderate debt protection metrics. The tangible networth stood at Rs.19.76 crore as on 31 March 2022 as against Rs.17.85 crore as on 31 March 2021. The gearing level of the company stood low at 0.43 times as on 31 March 2022 as against 0.34 times as on 31 March 2021. The total debt of the company stood at Rs.8.57 crore which consists of long-term debt of Rs.6.22 crore, unsecured loans of Rs. 0.60 crore and short-term debt of Rs. 0.27 crore as on 31 March 2022. The company has added a term loan of Rs.4 crore for addition of a workshop in Nagpur and has also added a GECL loan of Rs.1.40 crore for the working capital purposes. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 4.48 times for FY22 against 4.35 times for FY21. The Debt Service Coverage Ratio (DSCR) stood at 1.74 times for FY22 against 2.39 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.86 times for FY22 as against 0.71 times in FY21. Acuite believes that the financial risk profile of the company is likely to remain moderate in medium term on account of absence of any debt funded capex.

### **Working capital efficient operations**

The company's operations are working capital efficient as evident from Gross Current Asset (GCA) of 37 days as on March 31, 2022, as against 47 days as on March 31, 2021. The inventory levels have improved and stood at 23 days for FY22 compared against 31 days for FY21. Average inventory holding period for the raw materials is around 20-30 days. The company needs to stock up the samples of cars and other vehicles in the showroom. The debtor days stood at 13 days for FY22 against 11 days for FY21. The average credit period allowed to the customers is around 15 days.. The creditor days of the company stood at 12 days for FY22 as against 11 days for FY21. The average credit period received from the customers is around 30 days. The average utilization of the CC limits of the company is utilized ~44 percent in last six months ended April '23. Acuite believes that the ability of the company to maintain its working capital operations will remain a key rating sensitivity in medium term.

### **Weaknesses**

#### **Deterioration in the profitability**

The company has low profitability margins. The operating profit margin of the company declined and stood at 1.81 percent in FY22 compared against 2.03 percent in FY21. The operating margin of the company declined due to the increase in the repairs and maintenance cost. The PAT margin of the company stood at 0.88 percent in FY22 compared to 0.94 percent in FY21. Albeit the decline in margins, the operating income of the company recorded an improvement.

The revenue of the company stood at Rs.217.43 crore in FY22 compared to revenue of Rs.187.67 crore in FY21. The revenue stood at ~Rs.261 crores for FY23. The improvement in the revenues is due to the addition of new showroom in Hinganghat.

#### **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 cyclicity in the Indian automobile industry as well as regulatory challenges.

### **Rating Sensitivities**

Improvement in profitability margins .

Any significant addition in the debt level leading to deterioration in the financial risk profile.

Elongation in working capital cycle.

### **Material covenants**

None

### **Liquidity position: Adequate**

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.2.26 crore in FY22 compared against maturing debt obligations of Rs.0.91 crore over the same period. The cash accruals of the company are estimated to remain in the range of Rs.3.24-4.64 crore during 2023-25 period while its maturing debt obligations is estimated to be in the range of Rs. 1.20-2.06 crore during the same period. The average utilization of the CC limits of the company is utilized ~44 percent in last six months ended April'23. The company maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2022. The current ratio stood healthy at 2.27 times as on March 31, 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	217.43	187.67
PAT	Rs. Cr.	1.91	1.77
PAT Margin	(%)	0.88	0.94
Total Debt/Tangible Net Worth	Times	0.43	0.34
PBDIT/Interest	Times	4.48	4.35

## 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Mar 2022	Term Loan	Short Term	1.40	ACUITE BBB- (Upgraded from ACUITE A4)
	Inventory Funding	Long Term	6.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	0.10	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
	Inventory Funding	Long Term	19.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Upgraded from ACUITE A4)
	Inventory Funding	Long Term	1.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
	Term Loan	Short Term	4.00	ACUITE BBB- (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	0.10	ACUITE BBB-   Stable (Upgraded from ACUITE BB-)
17 Feb 2021	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*)
	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*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB-   Stable   Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.94	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BBB-   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.73	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.13	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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