



Press Release
EROS MOTORS PRIVATE LIMITED
January 14, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.28	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	38.20	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	2.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	41.48	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB+' (read as ACUITE double B plus) and its short-term rating to 'ACUITE A3' (read as ACUITE A three) from 'ACUITE A4+' (read as ACUITE A four plus) on Rs. 40.20 Cr. bank facilities of Eros Motors Private Limited (EMPL). The outlook is 'Stable'.

Also, Acuite has assigned its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on Rs. 1.28 Cr. bank facilities of Eros Motors Private Limited (EMPL). The outlook is 'Stable'.

Rationale for Rating Upgrade

The rating upgrade and migration from 'Issuer not co-operating' takes into account the stable growth in the operating performance of the company coupled with efficient working capital management. The rating also draws comfort from established market position and extensive experience of promoters in automobile industry. However, these strengths are partially offset by moderate financial risk profile and inherent cyclicity in the automobile industry along 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 currently managed by Mr. Anuj Pande. The company is based in Nagpur, Maharashtra, and deals in commercial vehicles, passenger cars, and tractors. It is an 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of EMPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

EMPL has an established track record of operations of more than two decades in the automobile industry. 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 OEMs 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.

Growing scale of operations with improving margins

The revenue of the company improved and stood at Rs. 289.48 Cr. in FY24 as compared to revenue of Rs. 261.80 Cr. in FY23. The growth in the operating income is mainly driven by increasing demand of passenger and commercial vehicles. Further, the operating profit margin of the company improved marginally to 2.85 percent in FY24 as compared to 2.43 percent in FY23, owing to the efficient operations of the company. Additionally, the company is undergoing a capex to build a new bodyworks service centre for the Hyundai passenger vehicles in Nagpur which is expected to generate better margins than the sales of vehicles. This new service station is expected to be operational in the current fiscal. Further, the company has already achieved Rs. 221.11 Cr. of revenue till November' 2024.

Acuite believes, the revenue and margin growth are expected to continue over the medium term.

Moderate Working Capital Management

The working capital operations stood moderate marked by gross current asset (GCA) of 59 days in FY24 as compared to 51 days in FY23. The GCA days are majorly driven by increased inventory levels of the company. The inventory levels stood at 42 days for FY24 as compared to 33 days for FY23, owing to the average inventory holding period of around 45-60 days. The debtors stood at 15 days for FY24 against 14 days for FY23 which majorly consists of receivables from the insurance companies and ancillary activities like servicing. The creditor days of the company stood at 20 days for FY24 as against 15 days for FY23 where the average credit period received from the suppliers is around 25-30 days for the ancillary activities.

Weaknesses

Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by tangible net worth of Rs. 26.51 Cr. as on 31 March 2024 as against Rs. 23.16 Cr. as on 31 March 2023, owing to the accretion of profits to the reserves. The gearing (debt-equity) level of the company increased to 1.12 times as on 31 March 2024 as against 0.94 times as on 31 March 2023 on account of increase in debt in FY24 to fund the inventory. The total debt of the company stood at Rs. 29.82 Cr. in FY24 as compared to Rs. 21.68 Cr. in FY23. Further, going forward the company expects to draw debt of Rs. 5.00 Cr. over fiscal 2025 & 2026 to fund its capex. The coverage ratios of the company stood moderate with interest coverage ratio (ICR) of 3.35 times for FY24 against 4.37 times for FY23. The debt service coverage ratio (DSCR) stood at 1.70 times for FY24 against 1.81 times for FY23.

Acuite believes, the efficient management of financial risk profile shall be a key monitorable.

Competitive industry with limited bargaining power

The company faces intense competition from other dealers as well as dealers of other OEMs like Maruti, Kia, 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 profitability margins. Further, the company is exposed to inherent cyclicity in the Indian automobile industry as well as regulatory challenges.

Rating Sensitivities

- Substantial improvement in the scale of operation with margins
- Stretch in the working capital cycle resulting into increased reliance on working capital borrowings
- Any further debt funded capital expenditure that adversely impacts the financial risk profile

Liquidity Position Adequate

The company has an adequate liquidity position marked by adequate net cash accruals of Rs. 4.68 Cr. in FY24 against its maturing debt obligations of Rs. 1.73 Cr. for the same period. Going forward, the cash accruals of the company are estimated to remain in the range of around Rs. 4.00-5.00 Cr, during FY25-26 against repayment obligations ranging around Rs. 2.30-2.60 Cr. for the same period. The average utilization of the fund-based limits of the company stood around ~78.87 percent in last six months ended November'24. Furthermore, the company maintained unencumbered cash and bank balances of Rs. 0.29 Cr. as on March 31, 2024. Additionally, the current ratio stood at 1.14 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	289.48	261.80
PAT	Rs. Cr.	3.35	3.39
PAT Margin	(%)	1.16	1.30
Total Debt/Tangible Net Worth	Times	1.12	0.94
PBDIT/Interest	Times	3.35	4.37

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Sep 2024	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Cash Credit	Long Term	4.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Inventory Funding	Long Term	19.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Inventory Funding	Long Term	6.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Inventory Funding	Long Term	1.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	1.40	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	2.73	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	1.13	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	2.94	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
19 Jun 2023	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Long Term	19.00	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.40	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.73	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.13	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.94	ACUITE BBB- Stable (Reaffirmed)
22 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A3 (Upgraded from ACUITE A4)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
	Inventory Funding	Long Term	6.00	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
	Inventory Funding	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.70	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.10	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	1.40	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
	Inventory Funding	Long Term	19.00	ACUITE BBB- Stable (Upgraded from ACUITE BB-)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
HDFC Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.07	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.28	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	01 Nov 2023	Not avl. / Not appl.	31 Oct 2026	1.40	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Term Loan	30 Nov 2021	Not avl. / Not appl.	31 Oct 2026	2.73	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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