

Press Release

Machino Techno Sales Limited

December 20, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Downgraded from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 20.00 crore bank facilities of Machino Techno Sales Limited (MTSL). The outlook is '**Stable**'.

The downgrade in the rating of bank facilities of MTSL reflects consistent dip in the profitability metrics in the past two years ended FY'2018. MTSL's operating profit before tax of Rs.0.90 crore in FY2018 is supported by non-operating income of Rs.1.02 crore as against operating profit before tax of Rs.0.69 crore in FY2017 supported by non-operating income of Rs.1.19 crore. Overall, the operating performance of the company has been lower than expected in the past two years mainly on account of stagnant revenues. Also during the current year, Acuite expects no major improvement in the sales and profitability given the intense competition from the others dealers of Maruti Suzuki and dealers from others manufacturer in Kolkata and adjacent area.

MTSL, a Kolkata-based company, is an authorised dealer of Maruti Suzuki for passenger vehicles since 1984. Currently, the company has four showrooms and two service centres in and around Kolkata. The company is promoted by the Jindal family of Kolkata and currently, the operations are managed by Mr. Arjun Jindal.

Analytical Approach

Acuite has taken standalone view of business and financial risk profile of MTSL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and establish relationship with Maruti Suzuki

MTSL has been in the automobile dealership business for around three decades and has been able to establish strong relationships with Maruti Suzuki. The company also undertakes servicing and selling of spare parts for these vehicles. The Directors, Mr. Murli Dhar Jindal, Mr. Rajiv Jindal and Mr. Arun Jindal have more than three decades of experience in the automobile industry.

Above average financial risk profile

MTSL's financial risk profile is above average marked by modest net worth, comfortable gearing and debt service indicators. The net worth stood at Rs.33.30 crore as on 31 March, 2018 as against Rs.32.45 crore as on 31 March, 2017. The gearing stood at 0.42 times as on 31 March, 2018 compared to 0.27 times in the previous year. The debt protection metrics stood comfortable with interest coverage ratio of 2.24 times in FY2018 as against 2.13 times in FY2017. NCA/TD stood at 0.13 times in FY2018 as against 0.15 times in FY2017.

Weaknesses

Low profit margins

The trading line of operations of the company translates into low operating margins. The operating margins stood at 1.96 percent in FY2018 as against 1.27 percent in FY2017. Though there has been a marginal improvement in the operating profitability, however it stands at a lower level. The net profit

margins also improved marginally in line with the operating profitability and stood at 0.71 percent in FY2018 as against 0.32 percent in FY2017. Acuite has also noticed that the profit margins are supported by the non-operating income in the form of dividend and bank interest, among others.

Competition from various auto dealers

MTSL faces competition from other dealers of Maruti as well as that of other automobile companies such as Hyundai, Skoda, Toyota, Ford and Honda, among others in West Bengal.

Outlook: Stable

Acuite believes that MTSL will maintain a 'Stable' outlook over the medium term from its promoters' vast experience in the automobile dealership business. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving operating profitability. Conversely, the outlook may be revised to 'Negative', if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	120.19	113.68	121.39
EBITDA	Rs. Cr.	2.35	1.45	2.54
PAT	Rs. Cr.	0.86	0.37	0.87
EBITDA Margin	(%)	1.96	1.27	2.10
PAT Margin	(%)	0.71	0.32	0.72
ROCE	(%)	5.52	4.23	5.22
Total Debt/Tangible Net Worth	Times	0.42	0.27	0.31
PBDIT/Interest	Times	2.24	2.13	2.75
Total Debt/PBDIT	Times	4.15	3.27	3.18
Gross Current Assets (Days)	Days	67	43	38

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Oct-2018	Cash Credit	Long Term	5.00	ACUITE BBB-Issuer not co-operating*
	Inventory Funding	Long Term	14.10	ACUITE BBB-Issuer not co-operating*
	Proposed Long Term Loan	Long Term	0.90	ACUITE BBB-Issuer not co-operating*
07-Aug-2017	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Reaffirmed)
	Inventory Funding	Long Term	14.10	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.90	ACUITE BBB-/Stable (Reaffirmed)
23-April-2016	Cash Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)
	Inventory Funding	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	Proposed Long Term Loan	Long Term	5.00	ACUITE BBB-/Stable (Assigned)

*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	5.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	14.10	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)

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About Acuite Ratings & Research:

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