Press Release

Lanson Motors Private Limited (LMPL)

31 May, 2017

Rating Assigned

Total Bank Facilities Rated	Rs. 150.00 Cr*
Long Term Rating	SMERA BB/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of **'SMERA BB' (read as SMERA double B)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.150.00 crore bank facilities of Lanson Motors Private Limited (LMPL). The outlook is **'Stable'**.

The Chennai-based LMPL, incorporated in 1998 is an authorised dealer for Toyota Kirloskar Motor Limited (Toyota) in north Tamil Nadu and Puducherry. The company operates on 3S model (sales, service and spares) and also runs Toyota Driving School.

List of key rating drivers and their detailed description:

Strengths:

Long operational track record and experienced management: LMPL has been in the aforementioned business since 1998. The company was promoted by Mr. M Lankalingam and wife, Mrs. Reeta Lankalingam who possess around two decades of experience in the industry.

Established Principal - Toyota Kirloskar Motor Limited (Toyota): LMPL has an established and reputed principal i.e. Toyota Kirloskar Motor Limited with whom the company has been dealing since 2000. While Toyota's overall market share in India is ~5 per cent, globally the company is a leader with ~12 per cent market share.

Moderate scale of operations with improvement in revenues Y-O-Y: LMPL has moderate scale of operations with operating income of Rs. 655.80 crore in FY2016 as against Rs.628.17 crore in FY2015. For FY2017, LMPL reported revenue of ~Rs. 875.00 crore with PBT of Rs. 10.00 crore. The growth in revenue is attributed to increase in volume sale of new vehicles mainly with the launch of Innova Crysta, premium series and Liva.

Weaknesses

Moderate profitability: LMPL has moderate profitability with net profit margin of 0.09 per cent in FY2015-16. In FY2014-15, the company incurred net losses of Rs.0.03 crore. At operating PBT level, the company incurred losses of Rs. 2.93 crore in FY2016 as against Rs. 4.61 crore in FY2015. For FY2017, as indicated by management, LMPL reported PBT of ~Rs. 10.00 crore.

Moderate financial risk profile: LMPL has moderate financial risk profile marked by high gearing and low coverage indicators. The debt-to-equity ratio stood at 4.04 times in FY2016 as against 3.78 times in FY2015. The total debt of Rs. 114.77 crore as on 31 March, 2016 includes long term debt from banks and financial institutions (including CPLTD) of Rs. 40.39 crore and short term working capital borrowings of Rs.74.38 core. The interest coverage ratio (ICR) stood at 1.42 times (considering NOI) and DSCR at 0.80 times in FY2016 as against 1.55 times and 0.88 times respectively in FY2015. Going ahead, the coverage indicators are expected to improve due to refinancing of existing term loans with low cost debt as well as due to improvement in profitability. In FY2016, LMPL has unencumbered cash and bank balance of Rs. 9.71 as against Rs. 7.15 crore in FY2015.

Outlook: Stable

SMERA believes that LMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability, overall financial risk profile and liquidity. Conversely the outlook may be revised to 'Negative' in case of steep decline in revenues or profitability.

About the Rated Entity - Key Financials

For FY2015-16, LMPL reported profit after tax (PAT) of Rs. 0.05 crore on operating income of Rs.655.80 crore as compared with PAT of Rs. (0.03) crore on operating income of Rs.628.17 crore for FY2014-15. The net worth as on 31 March, 2016 stood at Rs.28.39 crore compared to net worth of Rs.31.15 crore as on 31 March, 2015.

Any other information

Not Applicable

Applicable Criteria

- Trading Entities https://www.smera.in/criteria-trading.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Rating History for the 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. Crore)	Ratings
Trade Advance	NA	NA	NA	5.00	SMERA A4+
Inventory Funding - E-DFS	NA	NA	NA	39.00	SMERA A4+
Inventory Funding	NA	NA	NA	5.00	SMERA A4+
Trade Advance	NA	NA	NA	1.00	SMERA A4+
Inventory Funding	NA	NA	NA	17.90	SMERA A4+
Inventory Funding	NA	NA	NA	11.00	SMERA A4+
Inventory Funding	NA	NA	NA	25.00	SMERA A4+
Term Loan I	NA	NA	Jul 10, 2021	9.36	SMERA BB/Stable
Term Loan II	NA	NA	Mar 20, 2022	7.50	SMERA BB/Stable
Term Loan III	NA	NA	Dec 31, 2019	3.97	SMERA BB/Stable
Term Loan IV	NA	NA	Jun 10, 2022	2.72	SMERA BB/Stable
Term Loan V	NA	NA	Jul 10, 2024	2.52	SMERA BB/Stable
Term Loan VI	NA	NA	Sep 05, 2031	18.77	SMERA BB/Stable
Proposed Fund Based Facility	NA	NA	NA	1.26	SMERA A4+

Note on complexity levels of the rated instrument: https://www.smera.in/criteria-complexity-levels.htm

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ABOUT SMERA

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