

Press Release

Lanson Motors Private Limited

August 24, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 170.00 Cr. (enhanced from 150.00 crore)
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Further, Acuité has also reaffirmed long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.20.00 crore bank facilities of Lanson Motors Private Limited (LMPL). The outlook is '**Stable**'.

The Chennai based, LMPL was incorporated in 1998 by Mr. M Lankalingam and his wife, Mrs. Reeta Lankalingam. The company 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.

Analytical Approach

Acuité has considered standalone business and financial risk profile of LMPL to arrive at the rating.

Key Rating Drivers:

Strengths

- **Established track record of operation and experienced management:**

The promoters of the company have experience of more than two decades in automobile dealership business. The company has 13 showrooms across Tamil Nadu and Puducherry of which six outlets have vehicle display facility. Acuité believes that the company will continue to benefit from its wide spread presence, experience management and long term relationship with principal company of Toyota Kirloskar Private Limited.

- **Comfortable working capital cycle:**

The company maintains comfortable working capital cycle as the same stood at 22 days for FY2018 (Provisional) as against 23 days in the previous year. This is on account of low inventory maintained by the company and quick receivables. The liquidity position of the company is comfortable as the average working capital limit utilisation stood at around 80 percent for the last six months ended June 2018.

- **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. The market share of Toyota declined in FY2017-18 but sales for FY2018-19 is expected to improve due to new launch of Toyota-Yaris and ever popular Toyota Innova.

Weaknesses

- **Moderate financial risk profile:**

The financial risk profile of the company is comfortable marked by tangible net worth of Rs.38.01 crore as on 31 March, 2018 (Provisional) as against Rs.29.94 crore in the previous year. The gearing improved to 3.09 times as on 31 March, 2018 (Provisional) as against 4.16 times in the previous year. The total debt of Rs.117.40 crore as on 31 March, 2018 (Provisional) includes long term debt of Rs.46.24 crore and short term borrowing of Rs.71.17 crore. Interest Coverage Ratio improved to 2.10 times in FY2018 (Provisional) as against 1.65 times in the previous year. The improvement in coverage ratio is on account of steep improvement in EBITDA coupled with decline in interest cost. The annual principal repayment obligation for FY2019 and FY2020 is Rs.8.41 crore and Rs.5.54 crore, respectively. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 5.56 times in FY2018 (Provisional) as against 6.97 times in FY2017.

Acuité expects the company to improve its financial risk profile going forward supported by growth in net cash accruals and moderate working capital requirement.

- **Stiff competition from other dealers of Toyota and other brands:**

The company faces stiff competition from other dealers of Toyota and other automobile companies such as Maruti Suzuki, Tata, Mahindra and Mahindra to name a few. The launching of new models at competitive prices by other players can impact the market share of Toyota which in turn can affect dealers including LMPL.

- **Susceptible to cyclical in the auto sector:**

The operations of the company are also vulnerable to the inherent cyclical of the automobile industry.

Outlook: Stable

Acuité believes the outlook on LMPL will remain 'Stable' over the medium term on account of the company's experienced management and wide spread presence. The outlook may be revised to 'Positive' if the company achieves a sustained growth in revenues while maintaining its capital structure. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in capital structure or elongation of working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY18(Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	779.52	885.95	655.80
EBITDA	Rs. Cr.	29.35	23.49	19.85
PAT	Rs. Cr.	7.77	2.65	0.05
EBITDA Margin	(%)	3.77	2.65	3.03
PAT Margin	(%)	1.00	0.30	0.01
ROCE	(%)	17.17	12.90	10.67
Total Debt/Tangible Net Worth	Times	3.09	4.16	4.04
PBDIT/Interest	Times	2.10	1.65	1.43
Total Debt/PBDIT	Times	3.53	4.87	5.13
Gross Current Assets (Days)	Days	59	46	49

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition – <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-6.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. Crore.)	Ratings/Outlook
31-May-2017	Trade Advance	Short Term	5.00	ACUITE A4+ (Assigned)
	Inventory Funding - EDFS	Short Term	39.00	ACUITE A4+ (Assigned)
	Inventory Funding	Short Term	5.00	ACUITE A4+ (Assigned)
	Trade Advance	Short Term	1.00	ACUITE A4+ (Assigned)
	Inventory Funding	Short Term	17.90	ACUITE A4+ (Assigned)
	Inventory Funding	Short Term	11.00	ACUITE A4+ (Assigned)
	Inventory Funding	Short Term	25.00	ACUITE A4+ (Assigned)
	Term Loan I	Short Term	9.36	ACUITE BB/Stable (Assigned)
	Term Loan II	Long Term	7.50	ACUITE BB/Stable (Assigned)
	Term Loan III	Long Term	3.97	ACUITE BB/Stable (Assigned)
	Term Loan IV	Long Term	2.72	ACUITE BB/Stable (Assigned)
	Term Loan V	Long Term	2.52	ACUITE BB/Stable (Assigned)
	Term Loan VI	Long Term	18.77	ACUITE BB/Stable (Assigned)
	Proposed Fund Based Facility	Short Term	1.26	ACUITE A4+ (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
Trade Advance	Not Applicable	Not Applicable	Not Applicable	10.00 (enhanced from Rs.5.00 crore)	ACUITE A4+ (Reaffirmed)
Inventory Funding E-DFS	Not Applicable	Not Applicable	Not Applicable	53.50 (enhanced from Rs.39.00 crore)	ACUITE A4+ (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Trade Advance	Not Applicable	Not Applicable	Not Applicable	5.00 (enhanced from Rs.1.00 crore)	ACUITE A4+ (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	24.50 (Enhanced from Rs.17.90 crore)	ACUITE A4+ (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4+ (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	23.65	ACUITE A4+ (Reaffirmed)
Term Loan-I	Not Applicable	Not Applicable	Not Applicable	12.48	ACUITE BB/Stable (Reaffirmed)
Term Loan-II	Not Applicable	Not Applicable	Not Applicable	2.02	ACUITE BB/Stable (Reaffirmed)
Term Loan-III	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BB/Stable (Reaffirmed)
Term Loan-IV	Not Applicable	Not Applicable	Not Applicable	2.10	ACUITE BB/Stable (Reaffirmed)
Term Loan-V	Not Applicable	Not Applicable	Not Applicable	18.15	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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