

Press Release

M A C VEHICLES PRIVATE LIMITED

April 04, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.10.00 crore bank facilities of M A C VEHICLES PRIVATE LIMITED. The outlook is '**Stable**'.

M A C Vehicles Private Limited (MVPL) was incorporated in 2007 by Mr. Shashank Deshmukh. The company is authorized dealer of the passenger and commercial vehicles of TATA Motors in Yavatmal (Maharashtra). MVPL has separate showrooms and workshops for commercial and passenger units along with one 3S facility and one 1S facility in Yavatmal District.

Key rating drivers

Strengths

Experienced management

MVPL was incorporated in the year 2007. The Directors, Mr. Shashank Deshmukh, Mr. Priyank Deshmukh and Mrs. Charusheela Deshmukh have over three decades of experience in auto dealership industry.

Moderate working capital cycle

MVPL has a moderate working capital operations marked by comfortable Gross Current Asset (GCA) of 87 days in FY2017 compared to 109 days in FY2016. The GCA days are mainly dominated by inventory days of 52 in FY2017 compared to 73 in FY2016. The working capital limits were ~85 percent utilized for the past six months. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Average financial risk profile

MVPL has an average financial risk profile marked by low tangible net worth of Rs.4.54 crore as on 31 March, 2017 as against Rs.3.99 crore as on 31 March, 2016. The gearing stood relatively high at 2.25 times as on 31st March, 2017 as against 2.83 times as on 31st March, 2016. The debt of Rs.10.21 crore mainly consists of working capital borrowings of Rs.9.61 crore and unsecured loans of Rs.0.60 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 1.36 times for FY2017 as against 1.41 times in FY2016. Total outside Liabilities/Tangible Net Worth

(TOL/TNW) stood at 2.73 times as on 31 March, 2017 as against 3.23 times as on 31 March, 2016. Going forward, SMERA expects the company to maintain its financial risk profile in absence of major debt funded capex plans in near to medium term.

Thin profitability margins inherent in auto dealership business

The EBITDA margins of the company declined to 3.81 percent for FY2017 as compared to 4.10 percent for FY2016. The reduction in margins was mainly on account of increased sale of BS-3 vehicles on discount due to change in government regulations. PAT margins also declined to 0.88 percent in FY2017 as against 1.00 percent for FY2016 mainly on account of increase in the interest costs.

Stiff competition from other dealers

The company is exposed to intense competition from other automobile companies such as Honda, Maruti Suzuki and Toyota and dealers which may eat into the market share of Tata Motors.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MVPL to arrive at the rating.

Outlook – Stable

SMERA believes that MVPL will maintain a 'Stable' profile over medium term on the back of its established operational track record along with experienced management. The outlook may be revised to 'Positive' in case the company achieves improved working capital status and better cash accruals or improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins or deterioration in company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	62.95	50.17	47.01
EBITDA	Rs. Cr.	2.40	2.06	1.27
PAT	Rs. Cr.	0.55	0.50	0.47
EBITDA Margin	(%)	3.81	4.10	2.70
PAT Margin	(%)	0.88	1.00	1.00
ROCE	(%)	15.44	13.41	30.92
Total Debt/Tangible Net Worth	Times	2.73	3.23	3.38
PBDIT/Interest	Times	1.36	1.41	1.33
Total Debt/PBDIT	Times	4.26	5.38	4.50
Gross Current Assets (Days)	Days	87	109	117

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB/Stable

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ABOUT SMERA

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