

Press Release
Unique Motors Private Limited (UMPL)

June 14, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B/ Stable (Downgraded from B+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B**' (**read as ACUITE B**) from '**ACUITE B+**'(**read as ACUITE B plus**) to the Facilities of Rs. 9.00 crore of Unique Motors Private Limited. The outlook is 'Stable'.

The rating downgrade reflects decline in revenue and profitability due to the reduction in the demand of passenger vehicle during the FY2019 (Provisional). The inventory days have increased to 81 days in FY2019 (Provisional) as against 33 days in the previous year. Moreover, the bank limits of the company have been fully utilized in the past 6 months ended March 2019.

Hisar-based, Unique Motors Private Limited (UMPL) was incorporated in 2011 by Mr. Pramod Chhikara and Mr. Ravinder Hooda. The company is an authorized dealer for passenger vehicles of Maruti Suzuki India Limited (MSIL). UMPL sells new cars, pre-owned cars (under True Value outlet), spare parts and accessories and undertakes servicing of vehicles. The company has a 4S facility (4S - sales-service-spares-second hand sales) at Hisar.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of UMPL to arrive at the rating.

Key Rating Drivers

Strengths

• **Experienced management**

The promoters, Mr. Pramod Chhikara and Mr. Ravinder Hooda have a decade long experience in the automobile industry.

• **Association with Maruti Suzuki India limited**

The company is an authorized dealer for passenger vehicle segment of Maruti Suzuki India Limited (MSIL) and has a 4S facility (4S - sales-service-spares-second hand sale) located in Hisar. The company benefits from its association with Maruti Suzuki India Limited which is market leader in the India's passenger vehicle segment with around 51.22 percent market share during FY 2019.

Weaknesses

• **Declining revenue trend along with uneven profitability**

The company reported decline in operating income to Rs.36.70 crore in FY2019 (Provisional) from Rs. 42.63 crore in FY2018. The EBITDA margin stood at 6.56 percent for FY2019 (Provisional) as against 5.04 percent for FY2018. The company reported net profit of Rs.0.12 crore for FY2019 (Provisional) compared to Rs.0.17 crore in the previous year. Further the decline in the net profit is on account of high interest cost.

• **Stiff competition from other dealers in the market**

UMPL faces competition from other dealers of other automobile companies. The company has to offer better buying terms in order to boost its volume. Furthermore, the sales as well as purchase prices are determined by Maruti Suzuki. This results in margin pressure and negatively impacts the earning capacity of the company.

• Geographical concentration risk and exposure to the inherent cyclical in the industry

The company is exposed to geographical concentration risk as it has showrooms only in Hisar. Further, the rating will remain constrained by the inherent cyclical in the automobile sector and subdued outlook for passenger cars.

Liquidity position

The firm has moderate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.47 crore during FY2019 (provisional), while there was no significant debt maturity obligation. The cash accruals of the firm are estimated to increase from Rs. 0.62 crore in FY2020 to Rs.0.88 crore in FY2022 there will be no significant debt maturity obligation for the period (FY 2020-2022). The firm maintains cash and bank balances of Rs.0.64 crore as on March 31, 2019 (Provisional). The current ratio of the firm stands healthy at 1.00 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of comfortable cash accrual to its maturing debt obligation.

Outlook: Stable

Acuite believes that UMPL will maintain a Stable outlook in the medium term owing to its experienced Promoters and established association with MSIL. The outlook may be revised to 'Positive' in case of increase in the scale of operations, improvement in profitability and coverage indicators and apt Working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18	FY17
Operating Income	Rs. Cr.	36.70	42.63	53.56
EBITDA	Rs. Cr.	2.41	2.15	2.81
PAT	Rs. Cr.	0.12	0.17	0.10
EBITDA Margin	(%)	6.56	5.04	5.24
PAT Margin	(%)	0.33	0.39	0.18
ROCE	(%)	8.51	9.21	11.34
Total Debt/Tangible Net Worth	Times	2.98	2.76	2.90
PBDIT/Interest	Times	1.26	1.36	1.26
Total Debt/PBDIT	Times	7.80	7.11	5.17
Gross Current Assets (Days)	Days	243.00	198.00	132.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
06-June-2018	Cash credit	Long term	9.00	ACUITE B+/Stable (Assigned)

***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	9.00	ACUITE B/ Stable (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Aditya Singh Rating Analyst - Rating Operations Tel: 011-4973 1314 aditya.singh@acuiteratings.in	

About Acuité Ratings & Research:

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