Press Release
Unique Motors Private Limited
April 19, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE B+ | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	9.00	-	-

Rating Rationale

ACUITE has reaffirmed its long-term rating to **'ACUITE B+' (read as ACUITE B plus)** on the Rs.9.00 Crore bank facilities of Unique Motors Private Limited (UMPL). The outlook is **'Stable'**.

Rationale for the rating

The rating reaffirmation takes into account the benefits derived from the experienced management and small but improving scale of operations. The company's revenue declined to Rs 12.78 Cr. in FY2023 as against Rs 16.30 Cr. in FY2022. But, the company has achieved revenues of around Rs.20.24 Cr. till eleven months ended February 2024 (Provisional). In FY2022, Maruti Suzuki India Limited (MSIL) changed their discounting policy when the automaker forced the policy on its dealers leading to loss of business for the its dealers. This influenced both the company's and its dealers' sales leading to slippages in revenues for FY2023. However, in FY024, the Company have been able to scale up its operations. The company's operating margin was 14.82% in FY2023 as compared to 14.44% in FY2022. The company's increased profitability can be attributed to better margins in servicing of cars (especially damaged car repairs). Additionally, the profit after tax (PAT) margin slightly increased to 1.23 % in FY2023 as compared to 0.27 % in FY2022.
The rating is however constrained on account of moderate financial risk profile and working capital-intensive nature of operations.

About the Company

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, used cars (via its True Value shop), accessories, spare parts, and does vehicle maintenance. The company has a 4S facility (4S - sales-service spares -second hand sales) at Hisar.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Benefits derived from experience of promoters

The promoters, Mr. Pramod Chhikara and Mr. Ravinder Hooda, have a decade long experience in the automobile industry. 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, Haryana. The company benefits from its association with Maruti Suzuki India Limited, which is holding around 41.30 percent market share in November 2022. The growth was supported by new model launches along with the company's aggressive marketing strategy. Further, the company is also generating revenue from repairs of damaged cars. Acuite' believes that UMPL will continue to benefit from its experienced management and association with MSIL as an authorised dealer.

Improving Scale of operations

The company's revenue declined to Rs 12.78 Cr. in FY2023 as against Rs 16.30 Cr. in FY2022. Further, the company has achieved revenues of around Rs.20.24 Cr. till eleven months ended February 2024 (Provisional).
In FY2022, Maruti Suzuki India Limited (MSIL) changed their discounting policy when the automaker forced the policy on its dealers leading to loss of business for the its dealers . This influenced both the company's and its dealers' sales leading to slippages in revenues for FY2023. However, in FY024, the Company have been able to scale up its operations. This influenced both the company's and its dealers' sales. The company's operating margin was 14.82%.in FY2023 as compared to 14.44% in FY2022. The Company anticipates that over the medium term, the margin will decline due to discounts provided by Company to obtain sales. The company's increased profitability can be attributed to better margins in servicing of cars (especially damaged car repairs). Additionally, the PAT margin slightly increased to 1.23 % in FY2023 as compared to 0.27 % in FY2022.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company is marked by low but improving net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.3.77 Cr as on FY2023 as compared to Rs.3.61 as on FY2022 due to small accretion to reserves. The gearing of the company stood high at 4.42 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.42 times as on FY2023. The debt protection metrices of the company remain moderate marked by Interest coverage ratio (ICR) of 1.54 times and debt service coverage ratio (DSCR) of 1.01 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.04 times in FY2023.
Going forward, Acuité believes that the financial risk profile will remain moderate over the medium term, supported by steady accrual, moderate capital structure and debt protection metrices.

Working capital Intensive operations

The working capital operations of the company are intensive marked by Gross Current Assets (GCA) of 700 days for FY2023 as compared to 503 days for FY2022. The debtor period stood at 414 days as on FY2023 as compared to 123 days as on FY2022. This has been a result of sales effected in last quarter of the year to Army in FY2023 and the collection occurred in the next year. Further, the inventory days of the company stood at 84 days in FY2023 as compared to 86 days in FY2022. Creditors stood at 215 days as on FY2023. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Rating Sensitivities

- Improving scale of operations while maintaining marlins
- Working capital intensive nature of operation

Liquidity Position

Stretched

The company has stretched liquidity marked by net cash accruals of Rs. 0.73 Cr. as on FY2023 as against long term debt of Rs. 0.70 Cr. over the same period. The cash and bank balance stood at Rs. 0.24 Cr. for FY 2023. Further, the current ratio of the company stood at 1.40 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 700 days for FY2023 as compared to 503 days for FY2022. The bank limit of the company has been ~96.00 percent utilized for the last six months ended in March 2024. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low but steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Stable

Acuité 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 an increase in the scale of operations, improvement in profitability and coverage indicators and improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of further weakening of working capital cycle and deterioration in scale of operations and profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	12.78	16.30
PAT	Rs. Cr.	0.16	0.04
PAT Margin	(%)	1.23	0.27
Total Debt/Tangible Net Worth	Times	4.42	4.78
PBDIT/Interest	Times	1.54	1.41

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Trading Entitie: https://www.acuite.in/view-rating-criteria-61.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2023	Cash Credit	Long Term	9.00	ACUITE B+ | Stable (Upgraded from ACUITE B)
27 Jan 2022	Cash Credit	Long Term	9.00	ACUITE B (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE B+ | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.