

## Press Release

### Singh Cycle and Motor Co. Private Limited (SCMCL)

June 21, 2018



### Rating Assigned

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 22.00 Cr.              |
| <b>Long Term Rating</b>             | ACUITE B-/ Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 22.00 crore bank facilities of Singh Cycle and Motor Co. Private Limited. The outlook is '**Stable**'.

Singh Cycle and Motor Co. Private Limited (SCMPL) was established in the year of 2015 as a private limited company by Mr. Kawarpal Singh Bedi and Mr. Palinder Singh Bedi. The company is an authorised distributor of Hyundai Motor Company. The company has 1 showroom in Nagar Road, Pune and 2 workshops one in Shivaji Nagar and another in Wagoli, Pune.

### Key Rating Drivers

#### Strengths

#### Experienced management

SCMPL has been in operations since 2015. The director of the SCML, Mr. Kawarpal Singh Bedi and Mr. Palinder Singh Bedi has more than two decades of experience in automobile industry through group companies.

#### Weaknesses

#### Weak financial risk profile:

The weak financial risk profile of the company is marked by negative networth, negative gearing and low debt protection metrics. The net worth of the company stood negative Rs.5.25 crore in FY2017 as compared to negative Rs.2.19 crore in FY2016, mainly on account of accumulated losses. The gearing of the company stood negative 5.68 times in FY2017 as compared to negative 13.37 times in FY2016 owing to the negative networth base. The interest coverage ratio (ICR) of the company stood low at negative 0.13 times in FY2017 as compared to negative 2.04 times in FY2016. The debt service coverage ratio (DSCR) of the company stood at negative 0.13 times in FY2017 as compared to negative 2.44 times in FY2016. The net cash accruals against the total debt stand low at negative 0.14 times in FY2017 as compared to negative 0.06 times in FY2016.

#### Intense competition

SCMPL faces competition from various dealers of Mahindra & Mahindra as well as that of other companies such as Skoda Auto India, Toyota India, Maruti Suzuki, Ford Motor Company, Honda Motor Company etc. operating in Pune, Maharashtra.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm.

### Outlook: Stable

Acuité believes that SCMPL will maintain a stable outlook and benefit over the medium term from the promoters long experience in the auto dealership business. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining operating profitability and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 78.80         | 9.76          |
| EBITDA                        | Rs. Cr. | (0.45)        | (1.15)        |
| PAT                           | Rs. Cr. | (6.06)        | (2.19)        |
| EBITDA Margin                 | (%)     | (0.57)        | (11.79)       |
| PAT Margin                    | (%)     | (7.70)        | (22.44)       |
| ROCE                          | (%)     | (9.48)        | (10.76)       |
| Total Debt/Tangible Net Worth | Times   | (5.68)        | (13.37)       |
| PBDIT/Interest                | Times   | (0.13)        | (2.04)        |
| Total Debt/PBDIT              | Times   | (66.22)       | (27.45)       |
| Gross Current Assets (Days)   | Days    | 94            | 415           |

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.) | Ratings/Outlook   |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Inventory Funding      | Not Applicable   | Not Applicable | Not Applicable | 0.95                        | ACUITE B-/Stable  |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 7.80                        | ACUITE B-/ Stable |
| Inventory Funding      | Not Applicable   | Not Applicable | Not Applicable | 4.00                        | ACUITE B-/ Stable |
| Inventory Funding      | Not Applicable   | Not Applicable | Not Applicable | 5.25                        | ACUITE B-/ Stable |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 4.00                        | ACUITE B-/ Stable |

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