

Press Release

Singh Cycle and Motor Co. Private Limited (SCMCL)

June 21, 2018

Rating Assigned



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

* Refer Annexure for details

Rating Rationale

Acuite 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

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

Outlook: Stable

Acuite 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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