

Press Release

Dewar's Garage Limited

December 23, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.46.25 crore
Long Term Rating	ACUITE B/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to Rs.46.25 crores bank facilities of Dewar's Garage Limited. The outlook is '**Stable**'.

Dewar's Garage Limited (DGL) was incorporated in 1995. Currently, the company is headed by Mr. Sudhir Jhunjhunwala, Mr. Rohit Kedia and Mr. Ganta Sudhakar. DGL is an authorized dealer of Maruti Suzuki India Limited and engaged in trading and servicing of passenger vehicles. The company has 6 showrooms (3 showrooms are for new vehicles and 3 showrooms are for pre-owned vehicles), 2 workshops and 2 stockyards in Kolkata, West Bengal.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of DGL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations**

Established in 1995, Dewar's Garage Limited (DGL) has a long operational track record of more than two decades in the automobile industry. Acuité believes that the long track record of operations will benefit the company going forward resulting in steady growth in the scale of operations.

- **Moderate scale of operation**

The scale of operations of the company stood at moderate at Rs.226.95 crores in FY2019 as compared to Rs.196.83 crores in FY2018. The company has achieved revenues of Rs.122.00 crores till 31st October 2019 (Provisional).

Weakness

- **Below average financial risk profile**

The company's below average financial risk profile is marked by low networth, high gearing and moderate debt protection metrics. The company's networth has remained low at around Rs.12.19 crore as on March 31, 2019 as against Rs.11.85 crores as on March 31, 2018. The networth levels have remained modest due to modest scale of operations and low operating margins, which has resulted in limited accretion to reserves over the last three years through FY2019. The company has high gearing at 4.54 times as on March 31, 2019 as against 2.46 times as on March 31, 2018. The debt of Rs.55.35 crore mainly consists of long term debt of Rs.12.78 crore, working capital borrowing of Rs.40.77 crore and current obligation of term loan of Rs.1.80 crore as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 6.16 times as on March 31, 2019 as against 4.27 times as on March 31, 2018. The moderate debt protection metrics of the company is marked by

moderate Interest Coverage Ratio at 1.36 times as on March 31, 2019 as against 1.34 times as on March 31, 2018. Debt Service Coverage Ratio (DSCR) of the company stands low at 0.82 times as on March 31, 2019 as against 0.71 times as on March 31, 2018. Acuité believes the financial risk profile of the company will remain at moderate over the medium term, in absence of any major debt funded capex plan.

• Intense Competition

The company is exposed to intense competition from other dealers of Maruti Suzuki India Limited, as there is an absolute absence of product differentiation. The company is also facing competition from dealers of other automobile companies such as Mahindra & Mahindra Limited, Škoda Auto India Private Limited, Toyota Kirloskar Motor Private Limited, Ford India Private Limited, Honda Cars India Ltd to name a few, operating in Kolkata.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin

Material Covenant

None

Liquidity Profile

The company's liquidity is stretched marked by low net cash accruals of Rs.1.57 crore as on March 31, 2019 as against long term debt obligation of Rs.1.80 crore over the same period. The current ratio stood at 1.01 times as on March 31, 2019 as compared to 0.74 times as on March 31, 2018. The fund based limit remains utilised at 95 percent. The cash and bank balances of the company stood at Rs.2.99 crore as on March 31, 2019 as compared to Rs.1.97 crore as on March 31, 2018. The working capital management of the company is moderate marked by moderate Gross Current Assets (GCA) of 101 days in March 31, 2019 as compared to 53 days in March 31, 2018. Going forward, Acuité believes the liquidity of the company will remain stretched in absence of growth in its revenues or operating margins generating lower than anticipated cash accruals.

Outlook: Stable

Acuité believes that the outlook on DGL will remain 'Stable' over the medium term on account of the long track record of operations. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins and deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	226.95	196.83
PAT	Rs. Cr.	0.33	0.13
PAT Margin	(%)	0.14	0.07
Total Debt/Tangible Net Worth	Times	4.54	2.46
PBDIT/Interest	Times	1.36	1.34

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

CRISIL, vide its press release dated January 24, 2019 had denoted the rating of Dewar's Garage Limited as 'CRISIL B-/Stable/A4; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities-<https://www.acuite.in/view-rating-criteria-6.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
14-Jan-2019	Inventory Funding	Long Term	11.20	ACUITE B/Stable (Assigned)
	Inventory Funding	Long Term	5.00	ACUITE B/Stable (Assigned)
	Inventory Funding	Long Term	3.00	ACUITE B/ Stable (Assigned)
	Inventory Funding	Long Term	13.00	ACUITE B/ Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B/ Stable (Assigned)
	Proposed Inventory Funding	Long Term	8.80	ACUITE B/ Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Assigned)

*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	8.00	ACUITE B/Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B/Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Reaffirmed))
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE B/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Reaffirmed)
Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE B/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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