

## Press Release

Dewar's Garage Limited

December 02, 2021



### Rating Reaffirmed and Upgraded

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	2.35	2.35		ACUITE A4   Reaffirmed
<b>Bank Loan Ratings</b>	68.90	68.90	ACUITE B+   Stable   Upgraded	
<b>Total</b>	-	71.25	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE B+' (read as ACUITE B plus) from 'ACUITE B' (read as ACUITE B) and reaffirmed the short-term rating of 'ACUITE A4' (read as ACUITE A four) to Rs. 71.25 crores bank facilities of Dewar's Garage Limited. The outlook is 'Stable'.

The upgrade on rating on DGL takes cognizance of the improvement in revenue and profitability margins. These strengths are, however, constrained by the below average business risk profile, and competitive and fragmented nature of the industry.

### About the Company

Dewar's Garage Limited (DGL) was incorporated in 1995. Currently, the company is headed by Mr. Sudhir Jhujhunwala, 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 is having 6 showrooms, out of which 3 showrooms are for new vehicles and 3 showrooms are for pre-owned vehicles, 2 workshops and 2 stockyards. All the 10 facilities are in Kolkata, West Bengal.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced Management and Long track record of operations**

The key promoter of Dewar's Garage Limited (DGL), Mr. Sudhir Jhujhunwala has been in the industry for 25 years. Acuite derives comfort from the long experience of the promoter. Established in 1995, DGL has a long operational track record of 25 years in the automobile dealership industry. Acuite believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Modest Scale of operations**

DGL has achieved revenues of Rs 221.61 crores in FY2021(Prov) as compared to revenues of

Rs. 212.29 crores in FY2020, thereby registering a y-o-y growth of 12 per cent. The growth in topline is on account of increase in demand of commercial vehicle, increase in commission received from Maruti Insurance Broking Private limited and other insurance companies and incentives received from MSIL for achieving targets. The company has achieved revenues of around Rs.116 crores till October 2021 (Provisional).

### **Weaknesses**

- **Average financial risk profile**

The company's average financial risk profile is marked by modest networth, high gearing and modest debt protection metrics. The company's networth has remained modest at around Rs. 11.33 crores as on March 31, 2021(Prov) as against Rs. 10.34 crores as on March 31, 2020. The company has high gearing at 4.13 times as on March 31, 2021(Prov) as against 4.92 times as on March 31, 2020. The debt of Rs.46.79 crore mainly consists of long-term debt of Rs.21.82crore and short-term debt of Rs.22.99 crore and current maturity of term loan of Rs.1.98 crore as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.25 times as on March 31, 2021(Prov) as against 7.00 times as on March 31, 2020. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.52 times as on March 31, 2021(Prov) as against 0.97times as on March 31, 2020 and low Debt Service Coverage Ratio at 1.42 times as on March 31, 2021(Prov) as against 0.66 times as on March31, 2020. Acuité believes the networth to remain modest over the medium term, in the absence of any equity infusion by the promoters.

- **Exposure to Intense Competition**

The company is exposed to intense competition from other dealers of MSIL, as there is an absolute absence of product differentiation. The company is also facing competition from dealers of other automobile companies such as Mahindra, Skoda, Toyota, Ford, Honda to name a few, operating in Kolkata.

### **Liquidity Position: Adequate**

The company's liquidity is adequate marked by net cash accruals of Rs.2.60 crores as on March 31, 2021 as against long term debt repayment of Rs.1.80 crores over the same period. The cash and bank balances of the company stood at Rs. 6.62 crores as on March 31,2021(Prov), as compared to Rs. 1.85 crores as on March 31, 2021(Prov). The fund-based limit remains utilised at 63 percent. The current ratio stood at 1.29 times as on March 31, 2021(Prov) as compared to 0.94 times as on March 31, 2020. The company had taken up moratorium of ECGS borrowing of Rs 9.00 Cr. The working capital management of the company is moderate marked by moderate Gross Current Assets (GCA) of 79 days in March 31, 2021(Prov) as compared to 92 days in March 31, 2020.

### **Rating Sensitivities**

- Growth in scale of operations while improving profitability margin
- Improvement in the capital structure.

### **Material covenants**

None.

### **Outlook: Stable**

Acuité believes that the outlook on DGL will remain 'Stable' over the medium term on account of the experience of the promoters and long track record of operations. The outlook may be revised to 'Positive' in case of significant growth in revenue and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and deterioration in financial risk profile.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	221.61	212.29
PAT	Rs. Cr.	1.35	(1.87)
PAT Margin	(%)	0.61	(0.88)
Total Debt/Tangible Net Worth	Times	4.13	4.92
PBDIT/Interest	Times	1.52	0.97

### 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

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

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Sep 2020	Inventory Funding	Long Term	19.00	ACUITE B   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
	Term Loan	Long Term	15.11	ACUITE B   Stable (Assigned)
	Secured Overdraft	Long Term	7.00	ACUITE B   Stable (Assigned)
	Proposed Inventory Funding	Long Term	0.79	ACUITE B   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Inventory Funding	Long Term	8.00	ACUITE B   Stable (Reaffirmed)
	Inventory Funding	Long Term	13.00	ACUITE B   Stable (Reaffirmed)
	Inventory Funding	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
23 Dec 2019	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Proposed Inventory Funding	Long Term	2.90	ACUITE B   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Inventory Funding	Long Term	19.00	ACUITE B   Stable (Reaffirmed)
	Inventory Funding	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
	Inventory Funding	Long Term	8.00	ACUITE B   Stable (Reaffirmed)
	Inventory Funding	Long Term	8.00	ACUITE B   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
14 Jan 2019	Cash Credit	Long Term	3.00	ACUITE B   Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Inventory Funding	Long Term	11.20	ACUITE B   Stable (Assigned)
	Inventory Funding	Long Term	3.00	ACUITE B   Stable (Assigned)
	Inventory Funding	Long Term	13.00	ACUITE B   Stable (Assigned)
	Proposed Inventory Funding	Long Term	8.80	ACUITE B   Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A4 (Assigned)
	Inventory Funding	Long Term	5.00	ACUITE B   Stable (Assigned)

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.00	8.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	3.00	3.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.00	19.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	3.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	0.35	ACUITE A4   Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	2.00	ACUITE A4   Reaffirmed
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00	7.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
HDFC Bank Ltd	Not Applicable	Term Loan	27-02-2018	Not available	27-02-2033	15.11	15.11	ACUITE B+   Stable   Upgraded ( from ACUITE B )
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	13.00	13.00	ACUITE B+   Stable   Upgraded ( from ACUITE B )
Not Applicable	Not Applicable	Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	0.79	0.79	ACUITE B+   Stable   Upgraded ( from ACUITE B )

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### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

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