

## Press Release

### Dewar's Garage Limited

March 02, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	68.90	ACUITE B+   Stable   Reaffirmed	-
Bank Loan Ratings	2.35	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	101.25	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to Rs. 71.25 crore bank facilities of Dewar's Garage Limited.

Acuite has also assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to Rs 30 crore bank facilities of Dewar's Garage Limited (DGPL). The Outlook is '**Stable**'.

### Rating Rationale

The 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. Bhavnesh Gujral. DGL is an authorized dealer of Maruti Suzuki India Limited and engaged in trading and servicing of passenger vehicles. The company is having 8 showrooms, out of which 5 showrooms are for new vehicles and 3 showrooms are for pre-owned vehicles, 2 workshops and 2 stockyards. All the 12 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. Acuité 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. 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 Business Risk Profile**

Modest business risk profile DGPL's revenues decreased to Rs.217.35 Cr as on 31st March, 2022 as compared to Rs.221.52 Cr as on 31st March, 2021. The decrease in the top line is due to the shortage in the supply of vehicles by the manufacturer. The operating margin of the company increased to 3.34 as on 31st March, 2022 as compared to 3.24 per cent as on 31st March, 2021. The increase in the margin is buoyed by the increasing commissions and comparatively decreasing costs. In the 9 months of FY23 the revenue stood at Rs. 220 crore backed by strong demand of the cars.

#### **Weaknesses**

**Intense competition from other auto dealers and susceptible to cyclical nature in the auto sector**

The company faces stiff competition from other auto dealers leading to increase in competition. Furthermore, the industry competition from other big automobile players in commercial and passenger car vehicle segment, launching of new models at competitive prices, results into eating the market share of Maruti Suzuki, which in turn also affects its dealers including DGPL. The operations of the company are also vulnerable to the inherent cyclical nature of the automobile industry.

### **Average Financial Risk Profile**

The company's 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. 11.84 crore as on March 31, 2022 as against Rs. 10.97 crore as on March 31, 2021. The company has high gearing at 4.45 times as on March 31, 2022 as against 4.15 times as on March 31, 2021. The debt of Rs.52.68 crore mainly consists of long-term debt of Rs.25.28 crore and short-term debt of Rs.24.40 crore against current maturity of term loan of Rs.0.83 crore as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.89 times as on March 31, 2022 as against 5.86 times as on March 31, 2021. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.48 times as on March 31, 2022 as against 1.47 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.22 times as on March 31, 2022 as against 1.37 times as on March 31, 2021. Acuité believes the networth to remain modest over the medium term, in the absence of any equity infusion by the promoters.

#### **Rating Sensitivities**

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

#### **Material covenants**

None

#### **Liquidity Position Adequate**

The company's liquidity is moderate marked by steady net cash accruals of Rs.2.19 crore as on March 31, 2022 against long term debt repayment of Rs.0.83 crore over the same period. The cash and bank balances of the company stood at Rs. 1.90 crore as on March 31, 2022, as compared to Rs. 2.62 crore as on March 31, 2021. The fund-based limit remains utilised at 82

percent over six months ended December, 2022. The current ratio stood at 1.18 times as on FY22 and FY21 respectively. Moreover, the working capital management of the company is efficient in nature marked by Gross Current Assets (GCA) of 77.57 days as on March 31, 2022 as compared to 73.08 days as on 31st March, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	217.35	221.52
PAT	Rs. Cr.	0.86	1.15
PAT Margin	(%)	0.40	0.52
Total Debt/Tangible Net Worth	Times	4.45	4.16
PBDIT/Interest	Times	1.48	1.47

### 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

None

### Applicable Criteria

- Trading Entity: <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

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. -or more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.Acuite.in](http://www.Acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Secured Overdraft	Long Term	7.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Term Loan	Long Term	15.11	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Inventory Funding	Long Term	19.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Cash Credit	Long Term	3.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)

02 Dec 2021	Inventory Funding	Long Term	8.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Bank Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Proposed Inventory Funding	Long Term	0.79	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Inventory Funding	Long Term	13.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Inventory Funding	Long Term	3.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A4   Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE B+   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.56	ACUITE B+   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.70	ACUITE B+   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.79	ACUITE B+   Stable   Assigned
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE B+   Stable   Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE B+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE B+   Stable   Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE B+   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE B+   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE B+   Stable   Assigned
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE B+   Stable   Assigned
Yes Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE B+   Stable   Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4   Reaffirmed
Not Applicable	Not Applicable	Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	4.29	ACUITE B+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	5.71	ACUITE B+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	0.59	ACUITE B+   Stable   Assigned

HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE B+   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE B+   Stable   Assigned
HDFC Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.11	ACUITE B+   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.65	ACUITE B+   Stable   Assigned

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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.

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