



Press Release
Dewar's Garage Limited
May 30, 2024
Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.75	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	98.90	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	2.35	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) on Rs 98.9 crore and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs 2.35 crore bank facilities of Dewars Garage Limited. The outlook is '**Stable**'.

Acuite has also assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to Rs 23.75 crore bank facilities of Dewars Garage Limited. The outlook is '**Stable**'.

Rationale for Upgrade:

The rating upgrade takes into account the established track record of operations supported by DGL revenue of Rs. 309.59 Crores in FY2024 as against Rs. 272.97 Crore in FY2023 and Rs. 217.35 Crore in FY2022. The operating profitability remained in the range of 3.3 percent to 3.4 percent in two years ended in FY2023. The rating also takes into consideration adequate liquidity and moderate working capital cycle operations marked by GCA days ranging around 75 to 80 days for the two years ended in FY2023. However, the rating is constrained by below average financial risk profile marked by low networth, high gearing and modest debt protection metrics. The company overall gearing stood at 4.22 times as on March 31, 2023 as against 4.45 times as on March 31, 2022. The interest coverage stood at 1.51 times in FY2023 as against 1.48 times in FY2022. Going ahead, the overall gearing and interest coverage is estimated to improve in the near to medium term, driven by expected improvement in operating performance of the company.

About the Company

Dewars Garage Limited (DGL) was incorporated in 1998. 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.

Unsupported Rating

Not Applicable

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

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 1998, 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:

Moderate Business Risk Profile: Modest business risk profile DGL's revenues increased to Rs.272.97 Crore as on 31st March, 2023 as compared to Rs.217.35 Crore as on 31st March, 2022 and for FY24 it is expected to be in range of Rs. 300-310 Crore. The increase in the top line is due to the opening of new nexa showroom by the dealer. The operating margin of the company increased to 3.39 percent as on 31st March, 2023 as compared to 3.34 percent as on 31st March, 2022. and The PAT margin of the company increased to 0.53 percent as on 31st March, 2023 as compared to 0.40 as on 31st March 2022.

Moderate Working Capital:

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 77 days as on March 31, 2023 as compared to 78 days as on March 31, 2022. The debtor period stood at 13 days as on March 31, 2023 as compared to 20 days in March 31, 2022. Further, the inventory holding stood at 33 days as on March 31, 2023 as compared to 24 days as on March 31, 2022. The increase in inventory levels is mainly due to the stock of high value cars that the company needs to maintain at its showroom. Acuité believes that the working capital operations of the company will remain at same level as evident from the efficient collection mechanism over the medium term.

Weaknesses

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. 13.31 crore as on March 31, 2023 as against Rs. 11.84 crore as on March 31, 2022. The company has high gearing at 4.22 times as on March 31, 2023 as against 4.45 times as on March 31, 2022. The debt of Rs.56.10 crore mainly consists of long-term debt of Rs.22.80 crore and short-term debt of Rs.30.58 crore against current maturity of term loan of Rs.3 crore as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.76 times as on March 31, 2023 as against 5.89 times as on March 31, 2022. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.51 times as on March 31, 2023 as against 1.48 times as on March 31, 2022 and Debt Service Coverage Ratio at 0.99 times as on March 31, 2023 as against 1.22 times as on March 31, 2022. 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

Liquidity Position

Adequate

The company's liquidity is moderate marked by steady net cash accruals of Rs.2.90 crore as on March 31, 2023 against long term debt repayment of Rs.3 crore over the same period. and for FY24 it is expected to be in range of Rs.2.8-2.95 Crore against long term debt repayment in the range of Rs.2.6-2.75 Crore. The cash and bank balances of the company stood at Rs. 3.57 crore as on March 31, 2023, as compared to Rs. 1.90 crore as on March 31, 2022. The fund-based limit remains utilised at 67.08 percent over six months ended March, 2024. The current ratio stood at 1.12 times as on FY23. Moreover, the working capital management of the company is efficient in nature marked by Gross Current Assets (GCA) of 77 days as on March 31,2023 as compared to 78 days as on 31st March,2022. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	272.97	217.35
PAT	Rs. Cr.	1.46	0.86
PAT Margin	(%)	0.53	0.40
Total Debt/Tangible Net Worth	Times	4.22	4.45
PBDIT/Interest	Times	1.51	1.48

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

Not Applicable

Any other information

None

Applicable Criteria

- 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.56	ACUITE B+ Stable (Assigned)
	Covid Emergency Line.	Long Term	2.70	ACUITE B+ Stable (Assigned)
	Covid Emergency Line.	Long Term	4.79	ACUITE B+ Stable (Assigned)
	Covid Emergency Line.	Long Term	1.00	ACUITE B+ Stable (Assigned)
	Inventory Funding	Long Term	10.50	ACUITE B+ Stable (Reaffirmed)
	Inventory Funding	Long Term	1.00	ACUITE B+ Stable (Assigned)
	Inventory Funding	Long Term	3.00	ACUITE B+ Stable (Reaffirmed)
	Inventory Funding	Long Term	2.00	ACUITE B+ Stable (Assigned)
	Inventory Funding	Long Term	5.00	ACUITE B+ Stable (Assigned)
	Inventory Funding	Long Term	19.00	ACUITE B+ Stable (Reaffirmed)
	Inventory Funding	Long Term	8.00	ACUITE B+ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Proposed Inventory Funding	Long Term	4.29	ACUITE B+ Stable (Reaffirmed)
	Proposed Inventory Funding	Long Term	5.71	ACUITE B+ Stable (Assigned)
	Proposed Inventory Funding	Long Term	0.59	ACUITE B+ Stable (Assigned)
	Secured Overdraft	Long Term	1.00	ACUITE B+ Stable (Assigned)
	Secured Overdraft	Long Term	7.00	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	15.11	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	5.65	ACUITE B+ Stable (Assigned)
02 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Inventory Funding	Long Term	19.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Inventory Funding	Long Term	3.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Inventory Funding	Long Term	8.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
		Long		ACUITE B+ Stable (Upgraded from

Inventory Funding	Term	13.00	ACUITE B Stable)
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)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.35	ACUITE A4 Reaffirmed
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2026	Simple	0.56	ACUITE BB- Stable Upgraded (from ACUITE B+)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	Simple	2.70	ACUITE BB- Stable Upgraded (from ACUITE B+)
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 May 2026	Simple	4.79	ACUITE BB- Stable Upgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2026	Simple	1.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
ICICI Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB- Stable Upgraded (from ACUITE B+)

Yes Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
ICICI Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
HDFC Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.50	ACUITE BB- Stable Upgraded (from ACUITE B+)
Yes Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB- Stable Assigned
Indian Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB- Stable Assigned
UCO Bank	Not avl. / Not	Letter of Credit	Not avl. / Not appl.	Not avl. / Not	Not avl. / Not	Simple	2.00	ACUITE A4

	appl.			appl.	appl.			Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.59	ACUITE BB- Stable Upgraded (from ACUITE B+)
Not Applicable	Not avl. / Not appl.	Proposed Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.75	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Feb 2043	Simple	5.65	ACUITE BB- Stable Upgraded (from ACUITE B+)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2035	Simple	15.11	ACUITE BB- Stable Upgraded (from ACUITE B+)

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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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