

## Press Release

### Prime Movers Auto Agency Private Limited

March 20, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 7.30 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 7.30 crore bank facilities of Prime Movers Auto Agency Private Limited (PRIME AUTO AGENCY). The outlook is '**Stable**'.

Incorporated in 2011 and promoted by Mr. Nand Lal Kothari and his son, Mr. Mr. Ajay Kothari, Prime Movers Auto Agency Private Limited is a Kolkata based company engaged in distributorship of the auto components such as small, light and medium commercial vehicles, grease, coolants, brake oil, accessories and durafit products for Tata Motors Limited.

Prime Movers Auto Associated Private Limited was incorporated in 1986 by Mr. Nand Lal Kothari for carrying out the business of distributorship of auto components. The company currently deals with the principals such as Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Tata Motors Limited, Federal Moughul, Mahindra Sona Limited and Hindustan Composites Limited (Rated ACUITE A-/Stable/A2+), among others. The day to day operations is headed by Mr. Nand Lal Kothari and his son, Mr. Ajay Kothari.

### Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Prime Movers Auto Agency Private Limited and Prime Movers Auto Associated Private Limited to arrive at this rating. The consolidation is on account of common promoters and similar line of business. Prime Auto Associated holds 99 per cent stake in Prime Auto Agency. The group is herein referred to as the 'Prime group.' Extent of Consolidation: Full.

## Key Rating Drivers

### Strengths

#### • Experienced management and long track record

The group has a long track record of over three decades in the distributorship of auto components. The group was promoted by Mr. Nand Lal Kothari who has over four decades of experience in the same line of business. His son, Mr. Ajay Kothari is also actively engaged in the business and has over twenty years of experience in distributorship of auto components. The long track record has enabled the group to establish strong market presence in eastern parts of India such as entire West Bengal and North East through warehouses/offices in Kolkata and Guwahati and eight outlets spread in various locations of west Bengal.

#### • Longstanding relationship with Principals/suppliers

The business risk profile of the group is strong which is supported by the longstanding relationship with principals, namely, Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Tata Motors Limited, Federal Moughul, Mahindra Sona Limited and Hindustan Composites Limited, among others. Further, the ratings factors in the group's diversified product profile where sales are spread across auto components required for two-wheelers, passenger car segment, light commercial vehicles, SUVs, medium and heavy commercial vehicle. Acuite has noticed that the group has diversified revenue profile where sales of auto components from Maruti Suzuki constituents ~ 28 per cent and the balance 72 per cent is derived from 20 other principals.

## Weaknesses

### • Moderate financial risk profile

The moderate financial risk profile is marked by modest net worth, high gearing and modest debt protection measures. The net worth of the group stood at Rs.19.38 crore as on 31 March, 2018 as against Rs.16.63 crore in the previous year. The gearing stood high at 2.24 times as on 31 March, 2018 as against 2.37 times in the previous year. The interest coverage ratio stood modest at 1.47 times in FY2018 as against 1.43 times in the previous year. The NCA/TD ratio stood at 0.04 times in FY2018.

### • Moderate profitability metrics

The profitability of the group is modest as reflected from the operating margins of 4.50 per cent in FY 2018 as compare to 4.67 per cent in the previous year. The modest operating margin has resulted in low net profit margin of 0.80 per cent in FY 2018 as compare to 0.70 per cent in the previous year. The modest margins are due to trading nature of operations.

### Liquidity Position:

The group has moderate liquidity profile marked by net cash accruals in the range of Rs.1.31 crore to Rs.1.65 crore (FY 2016-2018) against Rs.0.19 crore annual debt obligations during the same period. The fund based working capital limit remains utilised at ~ 85 per cent during the nine months period ended December 2018.

### Outlook: Stable

Acuite believes that Prime group will maintain 'Stable' outlook over the medium term from experienced management and established market position. The outlook may be revised to 'Positive' in case the group registers sustained growth in revenues while improving its profitability metrics and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or if the working capital cycle further elongates.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	153.03	138.25	127.81
EBITDA	Rs. Cr.	6.89	6.45	5.59
PAT	Rs. Cr.	1.23	0.97	0.98
EBITDA Margin	(%)	4.50	4.67	4.37
PAT Margin	(%)	0.80	0.70	0.77
ROCE	(%)	11.24	11.46	21.61
Total Debt/Tangible Net Worth	Times	2.24	2.37	2.38
PBDIT/Interest	Times	1.47	1.43	1.42
Total Debt/PBDIT	Times	6.15	6.02	6.17
Gross Current Assets (Days)	Days	168	166	188

### 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/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Criteria for Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable
Channel Finance	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable
Proposed facilities	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE A3

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**About Acuite Ratings & Research:**

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