

Press Release

Mahalaxmi Automotives Vehicles Private Limited



D-U-N-S® Number: 67-548-6528

June 24, 2019

Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 15.00 Cr. |
| Long Term Rating | ACUITE B+ / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) on the Rs. 15.00 crore bank facilities of MAHALAXMI AUTOMOTIVES VEHICLES PRIVATE LIMITED (MVPL). The outlook is '**Stable**'.

Pune-based, MVPL was incorporated in 2016 by Mr. Sadashiv Satav and his family. MVPL is an authorised dealer for Maruti Suzuki India Limited - Nexa division. MVPL has two showrooms in Pune and Baramati.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the MVPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

MVPL was incorporated in 2016 as an authorised dealership for Maruti Suzuki India Limited (MSIL), mainly Nexa division. The promoter, Mr. Sadashiv Satav has been associated with the automobile dealership industry for two decades from their group company Mahalaxmi Automotives Private Limited which has authorised dealership for Maruti Suzuki India Limited and Hero Moto Corp Limited and has a bus transportation division supplying busses to Pune Mahanagar Parivahan Mahamandal Limited. Also, the promoter is ably assisted by an experienced second line of management. Mr. Nitin Satav and Mr. Sachin Satav collectively have experience of more than a decade in this line of industry.

Acuité believes that MVPL will benefit from the extensive experience of the promoters in the industry and established association with MSIL.

- **Comfortable working capital operations**

MVPL has maintained a comfortable working capital operations marked by the Gross Current Assets (GCA) of 49 days in FY2018 as against 154 days in FY2017. Inventory holding stood at 28 days in FY2018 as against 66 days in FY2017. The company is required to keep inventory of cars for 30 days. Collection period stood at 8 days in FY2018 as against 12 days in FY2017. The average bank limit utilisation is fully utilised for last six months ended February 2019.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

MVPL has average financial risk profile marked by low net worth, high gearing and debt protection measures. The tangible net worth of the company stood at Rs.2.40 crore as on March 31, 2018 against Rs.2.16 crore as on March 31, 2017. The gearing (debt-equity) remained high at 13.26 times as on

March 31, 2018 against 11.25 times as on March 31, 2017. The total debt outstanding of Rs.31.86 crore as on 31 March, 2018 consist of term loan of Rs.15.47 crore and working capital borrowing of Rs.16.39 crore. The coverage indicators of the company stood at moderate levels. ICR stood at 1.97 times and DSCR stood at 1.26 times in FY2018. Total outside liabilities to tangible net worth is high at 14.06 times as on 31 March, 2018. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.09 times for FY2018. Return on Capital Employed (RoCE) stood at 9.78 per cent in FY2018.

Acuité believes that any higher-than-expected deterioration in financial risk profile of the company will remain a key rating sensitivity factor.

• Modest scale of operations

Being incorporated in 2016, MVPL has operational track record of two years. MVPL has modest scale of operations marked by operating income of Rs.124.68 crore in FY2018 as against Rs.16.50 crore in FY2017. The company has booked revenue of Rs.99.00 crore (Provisional) for April to December, 2018. Further, MVPL has operating margins of 4.55 percent in FY2018 as against 1.89 percent in FY2017. Profit after Tax (PAT) margins stood at 0.19 percent in FY2018 as against negative 5.12 percent in FY2017.

Acuité believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

Liquidity position:

MVPL has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.00 crore during the last two years through 2017-18, while its maturing debt obligations were in the range of Rs.1.80 crore over the same period. The cash accruals of the company are estimated to remain around Rs.3.40-6.10 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 1.80 crore. The company's working capital operations are comfortable as marked by gross current asset (GCA) days of 49 in FY2018. The cash credit limit in MVPL remains utilised at 95 per cent during the last 6 months period ended February 2019. The company maintains unencumbered cash and bank balances of Rs.1.75 crore as on March 31, 2018. The current ratio of the company stood moderate at 0.92 times as on March 31, 2018. Acuité expects the company to maintain adequate liquidity position on account of moderate cash accruals and no major debt repayment over the near to medium term.

Outlook: Stable

Acuité believes that MVPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and comfortable working capital operations. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 124.68 | 16.50 | 0.00 |
| EBITDA | Rs. Cr. | 5.67 | 0.31 | 0.00 |
| PAT | Rs. Cr. | 0.24 | -0.84 | 0.00 |
| EBITDA Margin | (%) | 4.55 | 1.89 | 0.00 |
| PAT Margin | (%) | 0.19 | -5.12 | 0.00 |
| ROCE | (%) | 9.78 | -2.39 | 0.00 |
| Total Debt/Tangible Net Worth | Times | 13.26 | 11.25 | 0.00 |
| PBDIT/Interest | Times | 1.97 | 0.66 | 0.00 |
| Total Debt/PBDIT | Times | 5.56 | 70.29 | 0.00 |
| Gross Current Assets (Days) | Days | 49 | 154 | 0 |

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 |
|----------------------------------|------------------|----------------|----------------|-----------------------------|------------------|
| Channel/Dealer/ Vendor Financing | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE B+/Stable |

Contacts

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About Acuité Ratings & Research:

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