

Press Release

JMV Motors Private Limited

December 26, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 20.00 crore bank facilities of JMV Motors Private Limited. The outlook is '**Stable**'.

Sohna, Haryana based JMV Motors Private Limited (JMV MPL) was incorporated in 2014 by Mrs. Renu Ghai and Mr. Yatin Ghai. The company is an authorized dealer of Hyundai motor company. The company currently based in Sohna, Haryana and managing an authorized showroom and a service center in the name of JMV Hyundai. The company have also tie up with OLA, an Indian transport network company in an agreement of providing a service center.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of JMV MPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Mrs. Renu Ghai and Mr. Yatin Ghai are the directors of the company both have an experience of 5 years in managing the current business. Earlier in 2014 the company was managing the dealership of Hyundai in neemrana, rajasthan. In 2017 the company shifted to Sohna, Haryana.

Acuite believes that JMV MPL will continue to benefit from its promoter's extensive experience and established track record of operations.

Weaknesses

- **Modest scale of operations**

Being incorporated in 2014, JMV MPL has operational track record of 5 years as the company. JMV MPL has modest scale of operations marked by operating income of Rs.41.95 crore in FY2019 and currently expected to achieve the revenue of ~Rs.45.00 crore in the current financial year. The company has booked revenue of ~Rs.24.50 crore for April to November, 2019. Further, MVPL has operating margins of negative 3.14 percent in FY2019 as against negative 9.95 percent in FY2018. Profit after Tax (PAT) margins stood at negative 0.37 percent in FY2019. Acuite believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

- **Slowdown in the automobile industry**

Currently, there is a slowdown in the automobile industry and most of the companies in the industry are struggling to sustain their revenues. Furthermore, the industry competition is also with other automobile companies such as Maruti Suzuki and Mahindra & Mahindra among others, launching new models with better features results into eating the market share of Hyundai, which in turn also affects its dealers including JMV MPL.

Rating Sensitivity Factor

- Modest scale of operations.

Material Covenants

None

Liquidity position: Strong

Company has stressed liquidity marked by low net cash accruals to its maturing debt obligations. TFIPL generated cash accruals of Rs.1.60 crore in as on 31st march, 2019. The cash accruals of the company are estimated to remain in the range of around Rs.1.69 crore to Rs.2.59 crore during FY2020-22 as against maturing debt of Rs.1.10 crore each year for the same period. The company's working capital operations are moderate marked by gross current asset (GCA) days of 42 days in 31st march, 2019. Company maintains unencumbered cash and bank balances of Rs.0.39 crore as on 31st march, 2019. The current ratio stands at 0.46 times as on 31st march, 2019.

Outlook: Stable

Acuite believes that JMVML will continue to benefit over the medium term due to its experienced management. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its overall leverage at the current level. Conversely, the outlook may be revised to 'Negative', in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	41.95	3.22
PAT	Rs. Cr.	(0.16)	(0.63)
PAT Margin	(%)	(0.37)	(19.53)
Total Debt/Tangible Net Worth	Times	15.28	16.22
PBDIT/Interest	Times	2.64	0.45

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to 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. Crore)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	11.58	ACUITE B/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.92	ACUITE B/ Stable

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Contacts

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About Acuité Ratings & Research:

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