



Press Release

Imperial Vehicles Private Limited

January 16, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B+/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to Rs.10 crore of Imperial Vehicles Private Limited. The outlook is '**Stable**'.

Imperial Vehicles Private Limited (IVPL) was incorporated in 2008. Currently, the company is headed by Mr. Swayam Prakash Shah, Mr. Gyan Murti Shah, Mr. Arnab Chakraborty and Mr. Papinder Suri. IVPL is the authorized dealer of Skoda Auto India Private Limited in Jharkhand. The company has two showrooms in Jamshedpur and Ranchi with 3S facilities.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of IVPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations**

Established in 2008, Imperial Vehicles Private Limited (IVPL) has a long operational track record of eleven years in the industry. The company has been the exclusive dealer of Skoda Auto vehicles in the state of Jharkhand.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest networth, low gearing and comfortable debt protection metrics. The tangible net worth of the company marginally improved to Rs.15.37 crores as on March 31, 2019 from Rs.15.30 crores as on March 31, 2018 due to accretion of reserves. The gearing of the company stood comfortable at 0.09 times as on March 31, 2019 as against 0.14 times as on March 31, 2018. The debt of Rs.1.35 crores mainly consists of working capital borrowing of Rs.1.33 crore and unsecured loan of Rs.0.02 crore as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.14 times as on March 31, 2019 as against 0.12 times as on March 31, 2018. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 6.18 times as on March 31, 2019. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.59 times as on March 31, 2019. Acuité believes the financial risk profile of the company will remain at moderate over the medium term, in absence of any major debt funded capex plan.

Weakness

- **Uneven and low profitability margins**

The company has an uneven profitability through the past 3 years. The operating margin of the company stood at 3.51 per cent in FY'2019; the company had reported operating losses in FY'2018 and 3.08 per cent in FY'2017. The profit margin of the company stood low at 0.55 per cent in FY'2019; the company incurred net losses in FY'2018 and FY'2017. The low profitability margins are due to higher purchase price of the products. Acuité believes that the company's ability to improve its profitability will be key rating sensitivity.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 245 days in March 31, 2019 as compared to 213 days in March 31, 2018. The GCA days are high due to high inventory days at 112 in March 31, 2019 as compared to 92 days as on March 31, 2018. The company has to maintain high inventory in their showrooms. Further, the GCA days are high due to moderate debtor days at 75 in March 31, 2019 as compared to 55 days as on March 31, 2018. The debtor days are due to bills payable by insurance companies in workshops. Going forward, Acuite believes that the operations would remain working capital intensive mainly due to high inventory level.

- **Intense Competition**

The company is exposed to intense competition from dealers of other automobile companies such as Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Toyota Kirloskar Motor Private Limited, Ford India Private Limited, Honda Cars India Ltd to name a few, operating in the same region.

Rating Sensitivity

- Improvement in the scale of operation while improving profitability margin
- Working capital management

Material Covenant

None

Liquidity Profile

The company's liquidity is stretched marked by low cash accruals of Rs.0.59 crores as on March 31, 2019. The operations of the company are working capital intensive as reflected by high Gross Current Assets (GCA) of 245 days as on March 31, 2019 as against 213 days as on March 31, 2018. The current ratio stood at 2.21 times as on March 31, 2019 as compared to 2.62 times as on March 31, 2018. The fund based limit remains utilised at 17 percent over the six months ended November, 2019. The cash and bank balances of the company stood at Rs. 0.34 crores as on March 31, 2019 as compared to Rs. 0.80 as on March 31, 2018. Acuité believes that going forward the company will maintain a stretched liquidity position mainly due to low accruals.

Outlook: Stable

Acuité believes that the outlook on IVPL will remain 'Stable' over the medium term on account of the long track record of operations. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of further elongation in their working capital requirement and decline in revenue or operating margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	11.74	12.28
PAT	Rs. Cr.	0.06	(0.91)
PAT Margin	(%)	0.55	(7.39)
Total Debt/Tangible Net Worth	Times	0.09	0.14
PBDIT/Interest	Times	6.18	(0.09)

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities-<https://www.acuite.in/view-rating-criteria-6.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
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+/Stable (Assigned)
Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE B+/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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