

Press Release

Lido Commercial Company Limited

April 16, 2021



Rating assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.30.00 Crore bank facilities of Lido Commercial Company Limited. The outlook is '**Stable**'.

About the Company

Lido Commercial Company Limited is a New Delhi based company incorporated in 1983. The company was promoted by Mr.R.K. Singhania. The company is engaged into retail and wholesale trading of Mahindra automobiles. The company is working under the name of Sri Durga Automobiles (A division of Lido Commercial Company Ltd.).The company is currently run by Mr. Kirti Singhania, Mr. Ashish Singhania and Mr. Alok Singhania. As of now, the company have one showroom and 2 workshops.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of LCCL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operation and experience management:**

The promoters of Lido Commercial Company Limited have long experience in the trading of automobiles. The company is promoted by Mr.R.K. Singhania, who started this business in 1995. Before that, the company engaged in coal mining business. In 1995, the promoters moved to New Delhi and started the dealership business of Daewoo Motors. In 2001, the company discontinued the association with Daewoo motors and started a dealership of Mahindra and Mahindra. Since then, the company have been associated with Mahindra automobiles. Mr.R.K. Singhania have an experience of more than two decades in the automobiles retail industry.

Presently, the company is run by sons of Mr. R.K. Singhania, i.e. Mr. Kirti Singhania, Mr. Ashish Singhania and Mr. Alok Singhania.

Acuité believes that LCCL will sustain its existing business profile on the back of experienced management.

- **Comfortable working capital management**

The working capital management of the company is comfortable in FY2020 marked by low Gross Current Assets (GCA) of 50 days in FY2020 as against 83 days in FY2019. The inventory and debtor levels stood at 11 days and 17 days in FY2020 as against 32 and 29 days in FY2019, respectively. The creditor days stood at 13 days in FY2020 as against 19 days in FY2019. As a result, the average utilization of bank limits stood low at ~50 per cent in the last five months ending August 2020.

Acuité believes that the working capital requirements will continue to remain comfortable over the medium term on account of low inventory and debtor days.

Weaknesses

- **Average financial risk profile**

Company's financial risk profile remained average marked by moderate net worth, low gearing and weak debt protection metrics. The net worth of the company stood at Rs.24.82 Crore as on 31 March 2020 as against Rs.25.30 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 0.80 times as on 31 March 2020 as against 1.58 times as on 31 March 2019. The total debt of Rs.19.85 Crore as on 31 March 2020 consists of secured loan of Rs.9.96 Crore and working capital borrowings of Rs.9.88 Crore. The interest coverage ratio (ICR) stood low at 1.12 times in FY2020 as against 1.82 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood low at 0.01 times in FY2020 as against 0.05 times in FY2019.

- **Significant decline in revenue and profitability**

In FY2020 the revenue have declined by 13% and stood at Rs.139.89 Crore in FY2020 as against FY2019. This was mainly due to liquidating inventory of BS IV vehicles at low prices because of Supreme Court guidelines regarding discounting registration and sales of BS 1V vehicles.

The EBITDA Margins also decline to -1.91 percent for FY2020 as against -0.29 percent in FY2019. The PAT margin declines to -0.35 percent in FY2020 from 0.90 percent in FY2019. In the current financial year, the Covid-19 Pandemic have significantly impacted the companies operation as it did to other industry. As of 31-12-2020, the company have only achieved a total revenue of ~Rs.50.00 Crore.

Rating sensitivity

- Continuous decline in the scale of operations and the profitability leading to decline in overall financial risk profile.

Material Covenant

None

Liquidity position: Stretched

The Company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.29 Crore in FY2020 as against CPLTD of Rs.2.34 Crore for the same period. The company used their short term deposits to pay their maturity obligation for the year. The cash accruals of the company are estimated to remain in the range of around Rs.1.85 Crore to Rs.3.10 Crore during FY2021-23 against CPLTD of Rs.1.80 Crore each year for the same period. Although, company's working capital operations are comfortable marked by Gross Current Asset (GCA) days of 50 days in FY2020. As a result, the average utilization of bank limits stood low at ~50 per cent in the last five months ending August 2020. Company maintains unencumbered cash and bank balances of Rs.1.70 Crore as on 31 March 2020. The current ratio stands at 0.79 times as on 31 March 2020 (Provisional).

Outlook: Stable

Acuité believes LCCL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	139.89	160.84
PAT	Rs. Cr.	(0.49)	1.45
PAT Margin	(%)	(0.35)	0.90
Total Debt/Tangible Net Worth	Times	0.80	1.58
PBDIT/Interest	Times	1.12	1.82

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Cr.)	Ratings/Outlook
Cash Credit I	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/Stable (Assigned)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Assigned)
Term Loan I	Not available	Not available	October-2023	2.47	ACUITE BB-/Stable (Assigned)
Term Loan II	Not available	Not available	October-2023	2.80	ACUITE BB-/Stable (Assigned)
Working Capital Term Loan	Not available	Not available	July-2022	1.03	ACUITE BB-/Stable (Assigned)
Term Loan III	Not available	Not available	March-2026	3.69	ACUITE BB-/Stable (Assigned)
Bank Guarantee I	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Assigned)
Bank Guarantee II	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)
Proposed long term bank facility	Not Applicable	Not Applicable	Not Applicable	0.51	ACUITE BB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
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<p>Aditya Gupta Vice President - Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in</p>	<p>Varsha Bist Senior Manager – Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>
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About Acuité Ratings & Research:

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