

## Press Release

Lido Commercial Company Limited

July 14, 2022



## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.50	ACUITE BB   Stable   Upgraded	-
Bank Loan Ratings	15.50	-	ACUITE A4+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	30.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

## Rating Rationale

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

## Rationale for rating upgrade

The rating upgrade factors in the overall improvement in operating and financial performance of LCCL marked by significant improvement in operating income. The revenue of the company grew by 97% year on year as it stood at Rs.163.56 Crore in FY2022(prov.) as against Rs.82.81 Crore in FY21. Besides, the company continues to sustain its moderate financial risk profile and has an adequate liquidity position, driven by efficient working capital management.

## About the Company

Lido Commercial Company Limited (LCCL) Is a New Delhi-based company incorporated in 1983. The company is promoted by Mr. R.K. Singhania along with his other family members. The company is engaged in retail and wholesale trading of Mahindra automobiles and has one showroom and 2 workshops working under the name of Sri Durga Automobiles (A division of Lido Commercial Company Ltd.) The operations of the company are currently handled by Mr. Kirti Singhania, Mr. Ashish Singhania, and Mr. Alok Singhania.

## Analytical Approach

Acuite 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 was 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 operations of the company are handled by sons of Mr. R.K. Singhania, i.e. Mr. Kirti Singhania, Mr. Ashish Singhania and Mr. Alok Singhania who are ably supported by a strong line of mid-level managers.

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

#### Moderate financial risk profile

The Company has a moderate financial risk profile marked by tangible net worth of Rs.33.54 crore as on 31 March, 2022 (Prov) as against Rs.27.82 crore as on 31 March, 2021. The gearing level of the company is low at 0.34 times as on 31 March, 2022 (Prov) as against 0.54 times as on 31 March, 2021. The total debt outstanding of Rs.11.48 crore consists of working capital borrowings of Rs.8.02 crore, and term loan of Rs.3.47 crore as on 31 March, 2022 (Prov.). The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.77 times as on March 31, 2022 (Prov.) against 1.06 times as on March 31, 2021. The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 5.74 times for FY22(prov.) against 2.62 times for FY21. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.78 times for FY22(prov.) against 0.98 times for FY21. F, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.49 times for FY22 (Prov.) as against 0.15 times for FY21.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term on account of healthy growth in scale of operations with moderate profitability and absence of any major capex plan.

#### Moderately efficient Working Capital Management

The working capital management of the company is moderately efficient marked by Gross Current Assets (GCA) of 69 days as on March 31, 2022 (Prov.) as against 72 days as on March 31, 2021. The GCA days are dominated by debtor and inventory days, which stood at 25 days and 27 days respectively as on March 31, 2022 as against 24 days and 30 days respectively as on March 31, 2021. The creditor days are 16 days as on March 31, 2022 as against 44 days as on March 31, 2021. The average utilization of bank limits stood moderate at ~55 per cent in the last twelve months ending March 2022.

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

#### Thin Profitability margins

LCCL's operating margins stood at 2.22% in FY2022(prov.) as against 3.79% in FY21. The decline is mainly on account of clearance of BS IV vehicle inventory at low prices due to discontinuance of sales and registration of BS IV vehicles. The company generated PAT margin of 2.95% in FY22(prov.) as against 1.96% in FY21.

#### Intense competition from other auto dealers and susceptible to cyclicity in the auto sector

The company faces stiff competition from other auto dealers leading to increase in competition. Furthermore, the industry competition from other big automobile players in

commercial and passenger car vehicle segment, launching of new models at competitive prices, results into eating the market share of Mahindra and Mahindra, which in turn also affects its dealers including LCCPL. The operations of the company are also vulnerable to the inherent cyclical nature of the automobile industry.

### Rating Sensitivities

- Improvement in profitability margins and scale of operations, while maintaining the capital structure
- Elongation in the working capital cycle

### Material covenants

None

### Liquidity Position Adequate

Company has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.5.64 crore in FY22(Prov) compared against maturing debt obligations of Rs.2.56 crore. The cash accruals of the company are estimated to remain around Rs.3-5 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of 1.3-1.5 crore during the same period. The average utilization of bank limits stood moderate at ~54.98 per cent in the last twelve months ending March 2022. Furthermore, the company maintains unencumbered cash and bank balances of Rs.1.18 crore as on March 31, 2022 (prov.) and the current ratio also stood moderate at 1.30 times as on March 31, 2022(prov).

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals and the matured debt repayments over the medium term.

### Outlook: Stable

Acuité believes LCCL will maintain a stable business risk profile in the medium term on account of its experienced management, moderate financial risk profile and moderately efficient working capital 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	163.56	82.81
PAT	Rs. Cr.	4.82	1.62
PAT Margin	(%)	2.95	1.96
Total Debt/Tangible Net Worth	Times	0.34	0.54
PBDIT/Interest	Times	5.74	2.62

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Apr 2022	Working Capital Term Loan	Long Term	1.03	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.47	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.69	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	3.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.51	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.80	ACUITE B+ (Downgraded and Issuer not co-operating*)
16 Apr 2021	Proposed Bank Facility	Long Term	0.51	ACUITE BB-   Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BB-   Stable (Assigned)
	Term Loan	Long Term	2.47	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Term Loan	Long Term	2.80	ACUITE BB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.03	ACUITE BB-   Stable (Assigned)
	Term Loan	Long Term	3.69	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+   Upgraded ( from ACUITE A4 )
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+   Upgraded ( from ACUITE A4 )
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.51	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.80	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.69	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.47	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.03	ACUITE BB   Stable   Upgraded ( from ACUITE B+ )

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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