



Press Release
Lido Commercial Company Limited
October 12, 2023
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.75	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	24.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed 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 (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, operating profitability and financial risk profile. The revenue of the company grew by 59% in FY2023 (prov) as it stood at Rs.252.51 Crore in FY2023(prov.) as against Rs.158.33 Crore in FY2022. The Company generated operating profits in FY2023 as it reported operating margins of 1.26 percent in FY2023 (Prov.) as against (0.58) percent loss in FY2022. The rating also draws comfort from the established track record of operation and experience management, above-average financial risk profile and moderately efficient working capital management. However, the rating is constrained due to its thin profitability margins and intense competition from other auto dealers and susceptible to cyclical in the auto sector.

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 all passenger vehicles of Mahindra automobiles and has one showroom, 2 workshops and one body shop. The Company's 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 Lido Commercial Company Limited (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 (LCCL) have long experience in the

trading of automobiles. The company is promoted by Mr.R.K. Singhanian, who started the business in 1995. 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 LCCL 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. The experienced management have supported to its scale of operations of the company.

Improved operating performance

LCCL have shown growth of 59.48 percent in sales in FY2023 (prov) with reported revenue of Rs.252.51 crore as compared to Rs.158.33 crore in FY2022. The operating margin improved and stood at 1.26 percent in FY2023 (prov) as against (0.58) percent in FY2022. The negative operating margin in FY2022 and FY2021 is mainly due to the of inventory liquidation of BS IV vehicles at low prices. The PAT margin of LCCL stood at 2.01 percent in FY2023(prov.) as against 2.89 percent in FY2022.

Acuité believes that LCCL will sustain its existing business profile on the back of experienced management and its improving scale of operations year on year.

Moderate financial risk profile

The Company has a moderate financial risk profile marked by improving tangible net worth and comfortable debt protection metrics and gearing ratios. The net worth of the LCCL stood of Rs.37.32 crore as on 31 March, 2023(Prov) as against Rs.32.25 crore as on 31 March, 2022. The gearing level of the company is low at 0.29 times as on 31 March, 2023(Prov) as against 0.32 times as on 31 March, 2022. The total debt outstanding of Rs.10.81 crore consists of working capital borrowings of Rs.8.17 crore, long term debt of Rs.1.10 crore and maturing portion of long term borrowings of Rs.1.54 crore as on 31 March, 2023 (prov). The coverage ratios of the company remained comfortable with Interest Coverage Ratio (ICR) of 5.11 times for FY2023(prov.) against 4.89 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 2.39 times for FY2023(prov.) against 1.72 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.70 times as on March 31, 2023 against 0.69 times as on March 31, 2022. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.59 times for FY2023 (prov) as against 0.53 times for FY2022. Acuité believes that the financial risk profile of the company is likely to remain aboveaverage 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 54 days as on March 31, 2023 (Prov.) as against 63 days as on March 31, 2022. This is because of the low debtor days of 11 days in FY2023 (prov) as against 19 days in FY2022 and inventory days of 32 days in FY2023 (prov) as against 27 days in FY2022. Low debtor days also considers due to the pre –booking and instant billing. The creditor days are 12 days as on March 31, 2023 (prov) as against 16 days as on March 31, 2022. The average utilization of bank limits for fund based limits stood low at 10.47 per cent and non - fund based limits stood moderate at 51.47 per cent in the last twelve months ending August 2023. 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 1.26% in FY2023(prov.) as against (0.58)% in FY2022 . The negative operating margin in FY2022 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 2.01% in FY223(prov.) as against 2.89% in FY2022.

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.

All Covenants

None

Liquidity Position

Adequate

LCCL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.6.39 crore in FY2023(Prov) compared against maturing debt obligations of Rs.1.54 crore. The cash accruals of the company are estimated to remain around Rs.6.59 -7.72 Cr during 2024-26 period while its matured debt obligations are estimated to be in the range of 1.10 Cr during the same period. The average utilization of bank limits stood of fund based limits stood low at 10.47 per cent and non -fund based limits stood moderate at 51.47 per cent for the last twelve months ending August 2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs.4.16 crore as on March 31, 2023 (prov) and the current ratio also stood moderate at 1.62 times as on March 31, 2023(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 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	252.51	158.33
PAT	Rs. Cr.	5.08	4.58
PAT Margin	(%)	2.01	2.89
Total Debt/Tangible Net Worth	Times	0.29	0.32
PBDIT/Interest	Times	5.11	4.89

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>
- Trading Entitie: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jul 2022	Working Capital Term Loan	Long Term	1.03	ACUITE BB Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	3.69	ACUITE BB Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	2.80	ACUITE BB Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	3.00	ACUITE BB Stable (Upgraded from ACUITE B+)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	2.47	ACUITE BB Stable (Upgraded from ACUITE B+)
	Proposed Bank Facility	Long Term	0.51	ACUITE BB Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	1.00	ACUITE BB Stable (Upgraded from ACUITE B+)
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)
		Long		

	Cash Credit	Term	1.00	ACUITE BB- Stable (Assigned)
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Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB+ Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BB+ Stable Upgraded
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	1.75	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.20	ACUITE BB+ Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.55	ACUITE BB+ Stable Upgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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