

## Press Release

### Poddar Car World Private Limited

March 17, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.50	-	ACUITE A3+   Assigned
Bank Loan Ratings	92.50	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	93.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and short-term rating of '**ACUITE A3+**' (read as ACUITE A three plus) on the Rs.93.00 Cr bank facilities of Poddar Car World Private Limited (PCWPL). The outlook is 'Stable'.

The rating is driven by sound business risk profile marked by steady increase in the operating income, experienced management and efficient working capital mechanism. The rating also factors in the above average financial risk profile of the company marked by strong debt coverage indicators. These strengths are, however, offset by the low profitability margins and the highly competitive automobile dealership industry.

## About the Company

Incorporated in 2005, Poddar Car World Private Limited (PCWPL) began operations as an authorized dealer of Maruti Suzuki India in 2006. The company is promoted by the Poddar family and currently the directors of the company are Mr. Anup Poddar, Mr. Ankit Poddar, Ms. Richi Poddar and Mr. Dikshit Poddar. The company operates in Assam and northern parts of West Bengal.

## Analytical Approach

Acuite has considered the standalone financial and business risk profile of Poddar Car World Private Limited (PCWPL).

## Key Rating Drivers

## Strengths

- Long operational track record and experienced management

PCWPL has a long track record of around two decades in the automobile dealership industry. Acuite believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. The key promoters of PCWPL, Mr. Anup Poddar, Mr. Ankit Poddar, Ms. Richi Poddar and Mr.

Dikshit Poddar has been associated with the automobile dealership industry for around

two decades. Acuité derives comfort from the long experience of the promoters.

- **Sound business risk profile supported by increase in operating income**

The sound business risk profile is supported by increase in operating income. The growth in top line is due to the increased demand for personal vehicles as an after-effect of the Covid-19 pandemic to maintain social distancing from public vehicles. PCWPL has achieved revenues of Rs.442.73 Cr in FY21 as compared to revenues of Rs.468.40 Cr in FY20. However, it has already achieved revenues of Rs.359.83 Cr (provisional) for the 9 months of FY2022.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by modest albeit improved net worth, moderate gearing and healthy debt protection metrics. The tangible net worth (TNW) of the company increased to Rs.34.44 Cr as on March 31, 2021 from Rs.29.21 Cr as on March 31, 2020. Gearing of the company stood moderate at 1.05 times as on March 31, 2021 as against 1.85 times as on March 31, 2020. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) also stood moderate at 1.46 times as on March 31, 2021 as against 2.26 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 3.79 times as on March 31, 2021 and Debt Service Coverage Ratio (DSCR) at 3.26 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.19 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain above average over the medium term, in the absence of any major debt funded capex plans.

## **Weakness**

- **Low profitability margin**

The profitability margin of PCWPL is low due to the trading nature of operations. However, the margin is improved from the previous performance. The operating margin of PCWPL rose to 2.54 per cent in FY2021 from that of 2.40 per cent in FY20. The PAT margins increased to 1.09 per cent in FY2021 as against 0.81 per cent as on FY2020. The ROCE levels stood at a comfortable level of about 12.31 per cent in FY2021 as against 10.01 per cent in FY2020.

- **Exposure to intense competition**

The company is exposed to intense competition from other dealers of Maruti Suzuki India Limited. The company is also facing competition from dealers operating in Kolkata of other automobile companies such as Hyundai, Mahindra, Tata, Renault, Kia Motors, Toyota, Volkswagen, Ford, Honda, to name a few.

## **Rating Sensitivity**

- Scaling up of operations while improving their profitability margins
- Sustenance in their capital structure

## **Material Covenants**

None

## **Liquidity Position: Adequate**

The company's liquidity is adequate marked by steady net cash accruals of Rs.6.85 Cr as on March 31, 2021 against no such debt repayment for the year. The current ratio stood

comfortable at 1.53 times as on March 31, 2021 as compared to 1.34 times as on March 31, 2020. The fund based limit remains utilised at 40 per cent over the seven months ended December, 2021. The company has not availed any loan moratorium, and not applied for any additional Covid-19 loan. The cash and bank balances of the company stood at Rs.4.35 Cr as on March 31, 2021 as compared to Rs.1.64 Cr as on March 31, 2020. The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 46 days as on 31st March 2021 as compared to 51 days as on 31st March 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuité believes that the outlook on PCWPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, above average financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	442.73	468.40
PAT	Rs. Cr.	4.84	3.79
PAT Margin	(%)	1.09	0.81
Total Debt/Tangible Net Worth	Times	1.05	1.85
PBDIT/Interest	Times	3.79	2.77

### Status of non-cooperation with previous CRA

CRISIL, vide its press release dated March 15, 2021 had denoted the rating of Poddar Car World Private Limited as 'CRISIL B+/Stable/A4; ISSUER NOT COOPERATING'.

India Ratings, vide its press release dated April 26, 2019 had denoted the rating of Poddar Car World Private Limited as 'IND BB+/A4+; ISSUER NOT COOPERATING'.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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 (Up to last three years)

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BBB   Stable   Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB   Stable   Assigned
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB   Stable   Assigned
Indusind Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB   Stable   Assigned
Federal Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

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