



Press Release
Poddar Car World Private Limited
January 12, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	93.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	93.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.93.00 Cr. bank facilities of Poddar Car World Private Limited (PCWPL). The outlook is '**Stable**'.

Rationale for Upgrade

The rating takes into cognizance the steady business risk profile of the company majorly driven by increase in revenue. The company's revenue increased to Rs 699.86 Cr in FY2023 as against Rs 515.48 Cr in FY2022 on account of heightened demand for personal vehicles. Further, the company has achieved revenues of around Rs.497.09 Cr till seven months ended October 2023 (Provisional).

The rating also factors in the above average financial risk profile with comfortable capital structure and debt protection metrics. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals, small term debt repayments, absence of debt funded capex plans and financial flexibility of promoters to bring in funds in business. The rating also draws comfort from the established operations augmented by experienced management of the company. The rating further factors in the efficient working capital management of the company.

However, these strengths are partially offset by the volatility in profitability margins and the highly competitive automobile dealership industry.

About the Company

Established in 2005, Poddar Car World Private Limited (PCWPL) serves as an authorized dealer of Maruti Suzuki India. Commencing its operations in 2006, the company is backed by the Poddar family. Its presence extends across Assam and the northern regions of West Bengal. Presently, the company is under the directorship of Mr. Anup Poddar, Mr. Ankit Poddar, Ms. Richi Poddar, and Mr. Dikshit Poddar.

Unsupported Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

- Long track record of operations and experienced management

The experienced directors, namely Mr. Anup Poddar, Mr. Ankit Poddar, Ms. Richi Poddar, and Mr. Dikshit Poddar, possess nearly two decades of involvement in the automobile dealership sector through their leadership at PCWPL. Over the years, the Company has expanded with 2 Nexa showrooms and 4 true value and 3 commercial showrooms dealership for Maruti Suzuki India Ltd. The company's revenue increased to Rs 699.86 Cr in FY2023 as against Rs 515.48 Cr in FY2022, thereby registering a y-o-y growth of 35.77%. Further, the company has achieved revenues of around Rs.497.09 Cr till seven months ended October 2023 (Provisional). The increase in revenue in FY2023 is primarily on account of heightened demand for personal vehicles.

Exemplary operational history of 15 years since its establishment in 2005, PCWPL's extensive track record is viewed favorably by Acuité, indicating that the company is poised for consistent operational expansion and sustained growth in the foreseeable future.

- **Above average financial risk profile**

The financial risk profile of the company is marked by improved net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.46.81Cr as on March 31, 2023 as compared to Rs.39.98 as on March 31, 2022 due to accretion to reserves. The gearing of the company stood moderate at 1.44 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.86 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.24 times and debt service coverage ratio (DSCR) of 2.79 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.14 times in FY2023.

Also, the company initiated a capital expenditure project to establish a new showroom in Kharagpur, West Bengal, which commenced operations in July 2023. The total project cost amounted to Rs. 5.00 Cr and was funded through internal accruals. Additionally, Rs. 2.00 Cr was allocated for the moderation and upgradation of existing showrooms and workshops, also to be financed through internal accruals. Moreover, in FY2024, the company made an advance payment of Rs. 3.50 Cr for the acquisition of 2.479 acres of new land in Assam. This land will be utilized for setting up a showroom and workshop within the same premises.

Going forward, Acuité believes that the financial risk profile will remain above average over the medium term, supported by healthy internal accrual generation, even though the company is expected to incur capex.

- **Efficient working capital management**

The working capital management of the company is efficient marked by Gross Current Assets (GCA) of 55 days for FY2023 as compared to 54 days for FY2022. The GCA days are mainly on account of comfortable receivables days. The debtor period stood at 28 days as on 31st March 2023 as compared to 31 days as on 31st March 2022. The debtor days are due to bills payable by insurance companies in workshops. Further, the inventory days of the company stood at 19 days in FY2023 as compared to 11 days in FY2022. Further, the GCA days of the company also emanates from the high other current asset, which mainly consists of other loans and advances. Against this, the company has minimal dependence on its suppliers to support the working capital; creditors stood at 2 days as on March 31, 2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

- **Decline in the profitability margins**

The operating margin of the company decreased marginally to 2.34 per cent in FY2023 from 2.47 per cent in FY2022. This decline is attributed to increase in overhead costs, notably due to augmented premises rent and expanded workforce. Further, the PAT margin also declined to 0.98% in FY2023 as compared to 1.13% in FY2022, due to rise in interest burdens. The ROCE levels stood comfortable at 14.37% in FY2023 as against 14.12% in FY2022.

Acuité believes the profitability margin of the company will remain at similar levels over the medium term.

- **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 Motor India Ltd, Mahindra & Mahindra, Kia Motors Corporation, Tata Motor Corporation, Volkswagen India Pvt Ltd, to name a few.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle
- Large than expected debt funded capex

Liquidity Position

Adequate

The company has adequate liquidity marked by adequate net cash accruals of Rs 9.27 Cr. as on March 31, 2023 as against no long term debt obligations over the same period. The cash and bank balance stood at Rs. 2.62 Cr for FY 2023. Further, the current ratio of the company stood comfortable at 1.62 times in FY2023. The bank limit of the company has been ~55.54 percent utilized for the last six months ended in October 2023. Moreover, the working capital management of the company is efficient marked by Gross Current Assets (GCA) of 55 days for FY2023 as compared to 54 days for FY2022. The promoters provide necessary financial support to the company as needed, demonstrating the company's liquidity and its availability, amounting to Rs. 19.61 Cr in FY 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals, small term debt repayments, absence of debt funded capex plans and financial flexibility of promoters to bring in funds in business over the medium term.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	699.86	515.48
PAT	Rs. Cr.	6.83	5.81
PAT Margin	(%)	0.98	1.13
Total Debt/Tangible Net Worth	Times	1.44	1.11
PBDIT/Interest	Times	3.24	4.01

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
06 Jun 2023	Inventory Funding	Long Term	15.00	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Cash Credit	Long Term	0.15	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Inventory Funding	Long Term	43.00	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.35	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Inventory Funding	Long Term	10.00	ACUITE BB+ Downgraded (Issuer not co-operating*)
	Inventory Funding	Long Term	19.00	ACUITE BB+ Downgraded (Issuer not co-operating*)
17 Mar 2022	Inventory Funding	Long Term	19.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	0.15	ACUITE BBB Stable (Assigned)
	Inventory Funding	Long Term	43.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	0.35	ACUITE BBB Stable (Assigned)
	Inventory Funding	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Inventory Funding	Long Term	10.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Upgraded
Federal Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Upgraded
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	38.00	ACUITE BBB Stable Upgraded

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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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