

Press Release
PHYTRON MOBILITY PRIVATE LIMITED
January 22, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	72.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	72.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of 'ACUITE BB'(read as ACUITE double B) on the bank facilities of Rs.72.00 crore of Phytron Mobility Private Limited (PMPL). The outlook is 'Stable'.

Rationale for Rating:

The rating assigned takes into account the improvement in operating performance of the company in recent years. The rating draws comfort from the well experience promoters of the company who possess an experience of more than a decade in the dealership markets over the years. The rating also factors in the efficient working capital management by the company, considering the nature of the operations. These strengths are however partially offset by below average financial risk profile of the company marked with low net worth and high gearing of the company. Also, the company has moderately high reliance on its short term debt marked with an average utilization of its working capital limits to 80.9 percent in last eight months ended Nov 2023. Also, the industry in which PMPL operates is highly competitive and has constrained operating margins as the prices are controlled by the OEMs.

About the Company

Haryana – Based, Phytron Mobility Private Limited incorporated in 2018. The company is engaged in automobile sector and having dealership of passenger vehicle & electric vehicle of Tata Motors Passenger Vehicles Limited. The company have two showrooms for car sales and two workshop for car service. The directors are Mr. Atishay Jain and Mr. Atul Jain.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Phytron Mobility Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operation in industry and Experienced Management

The promoters of the company have been into the dealership business for more than a decade by acquiring dealerships over the years in other entities engaged in the same line of business. This extensive experience of the promoter has supported the business operations of the company and is expected to continue provide support towards scaling up the business going forward by having better understanding of the industry. The current promoters of the

company are Mr. Atishay Jain and Mr. Atul Jain. Furthermore, the revenue from operations of the company increased to Rs. 414.16 crore in FY2023 as against Rs.170.76 crore in FY2022. Acuité believes that the extensive experience of the management will continue to benefit PMPL, going forward, resulting in steady growth in the scale of operations.

Efficient Working Capital Management

The working capital management of the company is efficient marked by GCA days of 66 days as on 31 st March 2023 as against 78 days as on 31 st March 2022. The inventory days of the company stood at 41 days as on 31 st March 2023 against 26 days as on 31 st March 2022. Generally, the inventory holding period that the company follows is 45-60 days. Subsequently, the debtor days of the company stood at 13 days as on 31 st March 2023 against 20 days as on 31 st March 2022. The majority of the debtor company comprises Insurance companies, Finance Companies and Corporates etc. However, the reliance company towards working capital limits remain moderately high reflected by average utilization of around ~80.9 percent in last eight months ended Nov 2023. Acuite believes that the working capital operations of the company may continue to remain at similar levels going forward considering the nature of operations.

Weaknesses

Below Average Financial Risk Profile

The financial risk profile of the company is below average marked by moderate net-worth of Rs.14.50 Crore as on 31 st March 2023 against Rs.7.00 Crore as on 31 st March 2022. The marginal increase in the net-worth is on an account of accumulation of profits in reserves and treatment of unsecured loans as quasi equity. Further, the total debt of the company stood at Rs.51.65 Crore as on 31 st March 2023 against Rs.26.21 Crore as on 31 st March 2022. The total debt of the company comprises long term debt of Rs.2.13 Crore, Unsecured loans of Rs.0.29 Crore and Short term borrowing of Rs.48.97 Crore and Current maturities of Rs.0.26 Crore as on 31st March 2023. The gearing ratio of the company stood high at 3.56 times as on 31 st March 2023 against 3.74 times as on 31 st March 2022. The TOL/TNW ratio of the company stood at 4.46 times as on 31 st March 2023 against 4.80 times as on 31 st March 2022. The interest coverage ratio and debt service coverage ratio of the company stood at 1.96 times and 1.67 times respectively as on 31 st March 2023 against 2.54 times and 2.29 times respectively as on 31 st March 2022. Acuite believes that financial risk profile of the company may improve going forward with no major debt funded capex plan in future.

Highly competitive industry with price controlled by OEMs

The companies in this dealership industry have limited operating and profitability margins as prices are controlled majorly by OEMs, depending on the volumes sold by the dealers. The fate of the companies in the industry is extremely dependent on the performance of the OEMs and their market share in the industry. The Automobile industry is very much cyclical in nature and faces a stiff competition from rivals on pricing and features. Any increases in prices by the OEMs can affect the business performance of the dealers. Further, the company faces a stiff competition from the other dealers of same OEM and any other OEMs. Acuite believes that the margins of PMPL may continue to remain at similar levels going forward due to the nature of the business.

Rating Sensitivities

- Any further deterioration in financial risk profile of the company
- Any change in demand supply scenario in the automobile industry
- Improvement in scale of operations while maintaining the profitability margins

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company have generated net cash accruals of Rs.2.99 Crore against the nominal debt repayment obligation in the same period. Going forward, the company is expected to generate sufficient net cash accruals against the debt repayment obligation in near to medium term. The current ratio of the company

stood at 1.20 times as on 31st March 2023 against 1.17 times as on 31st March 2022. Further, the unencumbered cash and bank balance of the company stood at Rs.2.06 Crore as on 31st March 2023 against Rs.6.51 Crore as on 31st March 2022. The average bank limit utilization of the company stood at 80.9% in last eight months ending Nov 23.

Outlook: Stable

Acuité believes the outlook on PMPL will continue to remain 'Stable' over the medium term backed by its long track record of operations, increasing scale of operations and promising industry outlook over medium term. The outlook may be revised to 'Positive' if the company is able to significantly improve the scale of operations by acquiring the dealerships in other cities, while also maintaining its working capital operations efficiently. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the business risk profile of the OEM, leading to lower sales and thereafter affecting the financial and business risk profile of the PMPL.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	414.16	170.76
PAT	Rs. Cr.	2.36	1.52
PAT Margin	(%)	0.57	0.89
Total Debt/Tangible Net Worth	Times	3.56	3.74
PBDIT/Interest	Times	1.96	2.54

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <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 :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Ad-hoc Limits (Fund Based)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.37	ACUITE BB Stable Assigned
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	9.50	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	48.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.13	ACUITE BB Stable Assigned

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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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