



Press Release
SEEMA ENTERPRISES
March 04, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.61	ACUITE B Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	6.61	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ B**' (read as **ACUITE B**) on the Rs. 6.61 Cr. bank facilities of Seema Enterprises (SE). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record and industry experience of the promoters of the firm in the automobile dealership business. However, this strength is partially offset by the below average financial risk profile marked by weak debt protection metrics. Further it also factors in the intensive working capital cycle of firm as seen by high GCA days of 189 days as on FY23. The rating is also constrained by the stretched liquidity position of the firm as reflected by high utilizations in its the short-term bank financing.

About the Company

Thane based, Seema Enterprises established in 1988 is the Authorised Dealer of Force Motors Limited, Akurdi, Pune for their entire vehicle product range, sales and service. Ms. Leela Pandit Natu, Mr. Ajit Ramchandra Thatte and Ms. Shilpa Sumant Natu are the partners of this partnership firm.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Seema Enterprises to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long association with Force Motors Limited

Incorporated in 1988, SE is promoted by Ms. Leela Pandit Natu, Mr. Ajit Ramchandra Thatte and Ms. Shilpa Sumant Natu. The promoters have approximately more than three decades of experience in the automobile industry. SE has been an authorised dealer for the commercial vehicle segment of Force Motors (FM) for around three decades. SE operating income saw a significant improvement in FY23 to Rs. 17.02 Cr. as against Rs. 9.57 Cr. in FY22 primarily due to healthy demand levels. However, the firm has recorded operating losses in FY 2023, the operating profitability stood at (2.79%) in FY2023 against 3.59% in FY2022. Further on 10MFY2024, the firm has recorded revenue of Rs.32.61 Cr and expects to close the year in the range of 40 Cr.

Acuite expects that SE may benefit in medium term backed by long association with Force

Motors and experienced management.

Weaknesses

Below Average Financial Risk Profile

The financial risk profile of the firm stood below average, marked by negative net worth and weak debt protection metrics. The tangible net worth of the firm stood at Rs. (1.38) crore as on FY2023 as against Rs. (0.25) crore as on FY2022, decrease in net worth is majorly due to accretion of losses to the reserves. The gearing (debt-equity) stood at (6.03) times as on FY2023 as compared to (29.37) times as on FY2022. Further, the debt protection metrics stood below average with Debt Service Coverage Ratio (DSCR) stood at (0.76) times in FY2023 as against 0.64 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at (8.14) times as on FY2023 as against (47.05) times as on FY2022.

Acuite believes that firm's ability to improve its financial risk profile is a key rating sensitivity.

Working Capital Intensive Operations

The working capital management of the firm is intensive marked by GCA days of 189 days in FY23 as against 397 days in FY22. The firm maintains inventory levels of around 165 days in FY23 as against 324 days for FY22. The debtor's collection period stood at 10 days in FY23 as against 17 days for FY22. Furthermore, the creditor days stood at 5 days in FY23 as against 51 days in FY22. The firm's reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of 100 percent during the last six months period ended December 2023.

Acuite believes that working capital operations of the firm may continue to remain intensive considering the nature of operations.

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. SE currently operates only in one city. So, going forward SE needs to increase the dealership reach in other cities to increase realizations for the company. Further, the firm faces a stiff competition from the other dealers of same OEM and any other OEMs.

Acuite believes that the margins of SE may continue to remain at similar levels going forward due to the nature of the business.

Rating Sensitivities

- Significant and sustainable improvement in operating income while improving its profitability margins and capital structure.
- Improvement in working capital cycle and liquidity position.

Liquidity Position Stretched

The firm's liquidity position is stretched marked by the high reliance on short term bank borrowings with an average utilization of 100 percent for last six months ended December 2023. Further, the current ratio stands negative at (1.64) times in FY 2023. Further, the firm is not expected to generate sufficient cash accruals to repay its debt obligation in the near to medium term. And the working capital management of the company is intensive marked by GCA days of 189 days in FY2023.

Acuite believes that the liquidity position would remain stretched over the medium term on account of insufficient cash accruals against repayment obligations.

Outlook: Stable

Acuite believes that the firm will maintain a 'stable' outlook over the near to medium term owing to its experienced management and its association with Force Motors. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while also improving its profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the business risk profile of the OEM, leading to lower sales and thereafter affecting the financial and business risk profile of the SE.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	17.02	9.57
PAT	Rs. Cr.	(0.96)	(0.24)
PAT Margin	(%)	(5.65)	(2.51)
Total Debt/Tangible Net Worth	Times	(6.03)	(29.37)
PBDIT/Interest	Times	(0.76)	0.64

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>
- 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

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
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.76	ACUITE B Stable Assigned
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.59	ACUITE B Stable Assigned
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Funded Interest Term Loan	30 Mar 2022	Not avl. / Not appl.	30 Mar 2027	Simple	0.50	ACUITE B Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.31	ACUITE B Stable Assigned
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Term Loan	11 Sep 2015	Not avl. / Not appl.	31 Aug 2027	Simple	1.45	ACUITE B Stable Assigned

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About Acuité Ratings & Research

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