



**Press Release**  
**HEM AGENCIES MUMBAI**  
**October 15, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.50	ACUITE BB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	43.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating to ‘**ACUITE BB-**’ (read as **ACUITE double B minus**) on the Rs. 43.50 Cr. bank facilities of Hem Agencies Mumbai. The outlook is ‘**Stable**’.

**Rational for rating assigned**

The rating assigned considers established track record of operations of HAM. The operating performance of the firm is marked by fluctuating operating income and range bound operating margins over the last three years. Revenue in FY24 (Prov.) improved compared to FY22 but decreased compared to FY23 due to a special export order in the spare parts segment in FY23. The revenue of the company stood at Rs. 72.66 Cr. in FY24 (Prov.) as compared to Rs. 125.90 Cr. in FY23 and Rs. 67.52 Cr. in FY22. The operating margin ranged between 5.97-6.51 percent during this period. The financial risk profile of the firm is marked below average driven by average net worth, moderate gearing and low debt protection metrics. The rating also factors in the stretched liquidity of the firm and intensive working capital operations of the company as seen by high GCA days. Going forward, improvement in scale of operations while maintaining profitability margins and capital structure will remain a key rating monitorable.

**About the Company**

Incorporated In 2018, Mumbai, Maharashtra based Hem Agencies Mumbai (HAM) is a partnership firm. The firm is engaged in trading and servicing of two-wheeler vehicles and is an authorised dealer of Honda two-wheelers. Mr. Bipin Kantilal Shah, Mr. Hemant Kantilal Shah, Mr. Ishan Bipin Shah and Mr. Ashank Hemant Shah are partners in the firm.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of HAM.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operation and experienced management**

HAM is a part of the HEM Group, which was founded in 1912. HEM group has acquired various dealerships over the years including TVS motors co., Tata motors, etc. Mr. Bipin Kantilal Shah and Mr. Hemant Kantilal Shah started with the automobiles business in 1983 with TVS motors Co. and further expanded with several esteemed brands. HAM has the authorised dealership of Honda two-wheelers. and is managed by Mr. Bipin Kantilal Shah, Mr. Hemant Kantilal Shah, Mr. Ishan Bipin Shah and Mr. Ashank Hemant Shah.

The revenue of the firm stood at Rs. 72.66 Cr. in FY24 (Prov.) as compared to Rs. 125.90 Cr. in FY23 and Rs. 67.52 Cr. in FY22. The revenue significantly increased in FY23 due to a special export order received in the spare parts segment of the business. The operating margin ranges between 5.97 to 6.51 percent during this three year

period.

Acuite believes the experienced management and established track record of operations will aid the firm in improving its scale of operations and profitability margins.

## **Weaknesses**

### **Below Average Financial Risk Profile**

HAM has below average financial risk profile marked by average net worth, below average gearing and low debt protection metrics. The net worth of the company increased and stood at Rs. 20.6 Cr. in FY24(Prov.) as against Rs. 15.18 Cr. in FY23 due to infusion of capital by the promoters. The total debt of the company stood at Rs. 40.71 Cr. as on 31 March 2024 (Prov.) as against Rs. 39.30 Cr. in FY23. The total debt as on 31 March 2024 (Prov.) comprises of long-term debt of Rs. 6.10 Cr., short-term debt of Rs. 33.61 Cr. and unsecured loan from promoters of Rs. 1.00 Cr. The gearing of the firm improved and stood at 1.98 times as on 31 March 2024 (Prov.) as against 2.59 times as on 31 March 2023. The interest coverage ratio of the firm deteriorated and stood at 1.44 times in FY24(Prov.) against 1.59 times in FY23. Further, DSCR stood at 0.90 times in FY2024 (Prov.) against 1.06 times in FY2023.

### **Intensive Working capital operations**

The operations of HAM are working capital intensive marked by high gross current asset (GCA) days of 265 days in FY24(Prov.) as against 131 days in FY23. The GCA days are mainly driven by higher level of inventory maintained by the firm. The inventory days increased and stood at 227 days in FY24(Prov.) as against 114 days in FY23. The debtor days stood at 25 Days in FY24(Prov.) as against 16 Days in FY23. The creditor days stood at 8 Days in FY24(Prov.) as against 3 Days in FY23.

### **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 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. Honda Motorcycle & Scooter India Pvt. Ltd. (HMSI) is a 100% subsidiary of Honda Motor Company, Japan, and is one of the leading players in the Indian two-wheeler market. HMSI is key supplier for the firm thus company's bargaining power with supplier is limited however risk is partially offset by long standing relationship.

## **Rating Sensitivities**

- Improvement in scale of operations while maintaining profitability margins.
- Deterioration in financial risk profile and working capital management leading to stretched liquidity.

### **Liquidity Position**

#### **Stretched**

HAM'S liquidity position is stretched, marked by low net cash accruals against maturing debt obligations for the same period. The company generated cash accruals of Rs. 1.55 Cr. as on 31st March 2024 (Prov.). The cash and bank balance of the firm stood at Rs. 0.36 Cr. as on 31st March 2024 (Prov.). The current ratio stood at similar levels of 1.43 times in FY24 (Prov.) as against 1.37 times in FY23. The average fund-based bank limit utilization for last 6 months ended June 2024 remains 100% utilised.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	72.66	125.90
PAT	Rs. Cr.	0.62	1.32
PAT Margin	(%)	0.86	1.05
Total Debt/Tangible Net Worth	Times	1.98	2.59
PBDIT/Interest	Times	1.44	1.59

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

Not applicable

### Any other information

None

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.50	Simple	ACUITE BB- 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.	5.16	Simple	ACUITE BB- Stable   Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Term Loan	18 Aug 2021	Not avl. / Not appl.	17 Aug 2028	3.88	Simple	ACUITE BB- Stable   Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Term Loan	18 Aug 2021	Not avl. / Not appl.	17 Aug 2025	0.96	Simple	ACUITE BB- Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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