



**Press Release**  
**BRD CAR WORLD LIMITED**  
**December 12, 2024**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.50	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	47.00	ACUITE BBB-   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	51.50	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) from '**ACUITE BB**' (read as **ACUITE Double B**) on Rs.47.00 Cr. bank facilities of BRD Car World Limited (BRDCWL). The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on Rs.4.50 Cr. bank facility of BRD Car World Limited (BRDCWL). The outlook is '**Stable**'.

**Rationale for rating upgrade**

The rating upgrade and migration from 'Issuer not co-operating' takes into account stable growth in the operating income of the company and steady margins. The rating also derives comfort from ability of the company to retain its market position through experienced management, diversified revenue streams and moderate financial risk profile. Further, these strengths are partially offset by moderate working capital cycle, competition and cyclicity in the automobile industry.

**About the Company**

Incorporated in 2008, BRD Car World Limited (BRDCWL) is a Kerala-based authorised dealer for Maruti Suzuki India Limited (MSIL) operating in 3 districts of Kerala- Thrissur, Ernakulam and Palakkad with 11 Arena Sales outlets, 10 Service outlets, 2 True Value showrooms, 1 Maruti Driving School, 1 NEXA Showroom, and 1 Commercial Vehicle showroom. The company deals in sales of new cars, pre-owned cars and body works services. The company is promoted by Mr. C. C. William Verghese, Mr. C. C. Simon, Late Mr. K. C. Seemon and Mr. Shibu Job Cheeraan and is currently led by Mr. C. C. Simon and Jijin. C. Surendran.

**Unsupported Rating**

Not Applicable.

**Analytical Approach**

For arriving at its rating, Acuite has considered the standalone business and financial risk profile of BRDCWL.

**Key Rating Drivers**

**Strengths**

**Experienced management and diversified revenue streams**

BRDCWL is part of the BRD Group of Companies that is engaged in chit funds, hire purchase, asset financing, vehicle sales and industrial training. The company benefits from its experienced management with directors having around four decades of experience in the automobile dealership business. Additionally, BRDCWL's diversified revenue streams apart from the sale of new cars aids in better income generation making a breakthrough

in maintaining its scale of operations year on year. Acuité believes that BRDCWL will continue to benefit from its experienced management and the synergies from being a part of a diverse group.

**Growing scale of operations with steady margins**

The revenue of the company stood at Rs.367.34 Cr. in FY24 as compared to Rs.306.28 Cr. in FY23. The operating margin of BRDCWL stands range bound at 2.71 percent in FY24 as against 2.79 percent in FY23 and 2.72 percent

in FY22. The company makes ~70-75 percent of its income from the sale of cars and the rest through sales of pre-owned cars, body works and also through the driving school. Further, the company has inaugurated one new branch in the month of September 2024 and will be adding more 2 branches in a few months' time. Also, BRDCWL has capex plan for FY26 which includes opening of one new showroom for premium segment cars and one new workshop.

### **Moderate Financial Risk Profile**

The company has moderate financial risk profile marked by improving tangible net worth and moderate debt protection metrics and gearing ratios. The net worth of BRDCWL stood of Rs.39.75 Cr. as on 31 March, 2024 as against Rs.35.27 Cr. as on 31 March, 2023. The gearing level of the company stood high at 1.19 times as on 31 March, 2024 as against 0.98 times as on 31 March, 2023 because of additional working capital borrowings. The total debt in FY23 also included Rs.1.82 Cr. of unsecured loans from BRD Developers, a sister concern of the company which was fully repaid in FY24. In addition, the company is planning to enhance their limits for short term borrowings by ~Rs.10.00 Cr. to meet additional working capital requirements. The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 2.58 times for FY24 against 2.95 times for FY23.

### **Weaknesses**

#### **Moderate Working Capital Management**

The working capital management of the company is moderately efficient marked by Gross Current Assets (GCA) of 77 days as on 31st March 2024 as against 57 days as on 31st March 2023. This is driven by increase in the inventory days to 54 days in FY24 as against 34 days in FY23, due to lower sales of new cars in certain months. The debtor days stood at 3 days in FY24 which is the same as FY23. The debtor days is low, as amount on ~55 percent of the cars which are sold through vehicle loans/new car finance is received within 3 days from the bank and amount on balance car sales is received from customer on delivery. Further, creditor days as on March 31, 2024 stood at 16 days. The average bank limit utilization for the fund based limits stood at 90 percent for the last nine months ended September 2024.

#### **Stiff competition from other dealers and brands**

MSIL's focus on expanding its dealership network is expected to increase competition among its own dealers. Furthermore, the company is also exposed to intense competition from other automobile companies such as Honda, Tata Motors, Hyundai, Mahindra and Kia to name a few. Besides, launch of new models by peers at competitive prices eats into the market share of MSIL, which in turn affects dealers including BRDCWL.

#### **Exposure to the inherent cyclicity in the industry**

The rating is constrained by the inherent cyclicity in the automobile sector and outlook for passenger cars. Moreover, the prospects of BRDCWL are linked to the overall growth of MSIL.

### **Rating Sensitivities**

- Growing scale of operations along with sustainable profitability margins.
- Further elongation of working capital cycle.
- Deterioration in financial risk profile.

### **Liquidity Position**

#### **Adequate**

The company has an adequate liquidity position marked by adequate net cash accruals of Rs.7.30 Cr. as against its maturing debt obligations of Rs.1.71 Cr. in FY2024. The cash accruals of the company are estimated to remain around Rs.9.00-9.30 Cr. during 2025-26 period while its matured debt obligations are estimated to be of Rs.1.71 Cr. during the same period. The company is expected to increase its working capital borrowing limit to meet the growing scale of operations. Furthermore, the company maintained an unencumbered cash and bank balances of Rs.2.25 Cr. as on March 31, 2024. The current ratio also stood moderate at 1.00 times as on March 31, 2024.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	367.34	306.28
PAT	Rs. Cr.	4.47	3.43
PAT Margin	(%)	1.22	1.12
Total Debt/Tangible Net Worth	Times	1.19	0.98
PBDIT/Interest	Times	2.58	2.95

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

### 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Oct 2023	Cash Credit	Long Term	25.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	11.99	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	2.01	ACUITE BB (Reaffirmed & Issuer not co-operating*)
17 Aug 2022	Cash Credit	Long Term	25.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Proposed Long Term Bank Facility	Long Term	11.99	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Term Loan	Long Term	2.01	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
20 May 2021	Term Loan	Long Term	2.01	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	11.99	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.50	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB )
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.50	Simple	ACUITE BBB-   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.	4.00	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB )
Axis Bank	Not avl. / Not appl.	Term Loan	27 Mar 2023	Not avl. / Not appl.	20 Mar 2030	9.50	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB )

## Contacts

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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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