



Rating Rationale

Arvind Motors Pvt Ltd

5 Mar 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 20.00 Crores of Arvind Motors Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2017)	Present
Fund based Cash credit (under e-DFS Scheme)	20.00	20.00	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook:Stable Reaffirmed	BWR BBB (Pronounced BWR Triple B) (Outlook: stable) Reaffirmed
Total	20.00	20.00	INR Twenty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

Note : *The company has to get further surveillance rating done by BWR mandatorily upon audited financials of FY18 is ready*

Ratings:Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating reaffirmation takes into consideration the long track record of the company , long standing relationship with TATA Motors Limited (TML) , experienced promoters , moderate net worth, strong group presence and well established servicing centres

However, the ratings remain constrained by reduced revenue, high gearing, negative debt coverage , negative net profit margin , intense competition in Commercial Vehicle category, limited bargaining power and reduced projected revenues and operating loss in FY18

Going forward, the ability of the company to sustain its growth in operations, improve revenue growth & profitability manage its working capital efficiently would be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

Auto dealership business since 1954 , company is established in 1954 promoters experience is more than 30 years , net worth is Rs22.69 Crs as at Mar 31, 2017. service and show rooms are 2s & 1s facility with 11 showrooms in 38 locations

Credit Risks:

Revenue reduced from Rs 476.62 Crs in FY17 to Rs 396.48 Crs in FY16, debt coverage is 0.72 in FY 17, Gearing is at 4.79 times negative net profit margin at 0.66% in FY17, the projected revenue is reduced from Rs 476.62 Crs in FY17 to Rs 462.99 Crs in FY18 on account of slump in demand and operating profit as at FY18 is projected as loss of Rs 39.67 Crs since operating expenses is higher

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook:(stable)

BWR believes that **Arvind Motors Pvt Ltd** business risk profile will be maintained over the medium term. Outlook gets changed if projected revenues and operating loss continue over medium term

About the Company

Arvind Motors Private Limited (AMPL) is a Mangalore, Karnataka based company which was initially established as a Partnership Firm in 1954 and subsequently reconstituted as a Private Limited Company in 1999. The company is an authorised dealer of TATA Motors Limited's (TML) commercial vehicles, spares & lubricants and has been associated with TML since 1954. AMPL offers the entire range of TML's commercial vehicles (light, medium & heavy). The company has 11 showrooms and 2S (sales & services) and 1S (Sales) facilities in 38 locations in Karnataka. The group companies are into dealership business in different automobile segments viz., Mandovi Motors Private Limited, Bangalore is an authorised dealer of Maruti Suzuki Cars and Supreme Auto Dealers Private Limited is one of the oldest Bajaj bikes dealers in Karnataka

AMPL is a family owned business. Mr. A. Kishore Rao is the Managing Director. Mr. A. Sanjay Rao, Mr. A. Ashok Rao, Mr. A. Arjun Rao and Mrs. A Padmini Rao are the other directors.

Company Financial Performance

AMPL reported Net Sales of Rs. 476.62 Crs and Loss of Rs 2.74 Crs in FY17 as against Net Sales of Rs. 396.48 Crs and Loss of Rs. 3.39 Crs in FY16.

As on 31st Dec 2017, the Company has informed of having achieved revenue of Rs. 333.83 crore.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	17/Feb/2017	2016	15/Nov/ 2015
	Fund Based	Long Term	20.00	BWR BBB	BWR BBB		BWR BBB
	Non Fund Based	-	-	-	-	-	-
	Total		20.00	₹ Twenty Crores Only			

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

Any other information : The company has to get further surveillance rating done by BWR mandatorily upon audited financials of FY18 is ready

Annexure-I
Details of Bank Facilities

				₹ Crores	
Name of the Bank	Name of Facility	Tenure	Previous Limits (Feb, 2017)	Present Limits	
State Bank of India	Cash credit (under e-DFS Scheme)	Long Term	20.00	20.00	
Total			20.00	20.00	



Key Financial Indicators

Key Parameters	Units	2017	2016
Operating Revenue	crore	396.48	476.62
EBITDA	crore	6.69	7.54
PAT	crore	-3.39	-2.74
Tangible Net worth	crore	22.69	26.08
Total Debt/Tangible Net worth	Times	3.25	2.78
Current Ratio	Times	1.03	1.07

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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