

Rating Rationale

Brickwork Ratings Reaffirms 'BWR B' & 'BWR A4' ratings for the Bank Loan Facilities of ₹ 14.37 Cr of MG Chariots Private Limited

Brickwork Ratings has *reaffirmed* the **Ratings**¹ of MG Chariots Private Limited's ('MGCPL' or *the 'Company'*) bank loan facilities of ₹ 14.37 Cr as under:-

Nature of Facility	Term	Previous Amount	Rating Exposure	Previous Rating	New rating
E DFS	Term Loan	10.00	10.00	BWR B (Pronounced BWR B) Outlook: Stable	Reaffirmed BWR B (Pronounced BWR B) Outlook: Stable
Ad Hoc EDFS		2.50	2.50		
Dropline OD limit		1.78	1.77		
Fund Based		14.28	14.27	INR Fourteen Crores And Twenty Seven Lakhs	
Bank Guarantee	Short Term	0.10	0.10	BWR A4 (Pronounced BWR A four)	Reaffirmed BWR A4 (Pronounced BWR A four)
Non Fund Based		0.10	0.10	INR Ten Lakhs	
Total		14.38	14.37	INR Fourteen Crores And Thirty Seven Lakhs	

* Rating Mandate is for Rs.11.37 Cr. Rating was carried out for amount of Rs.11.60 Cr., as the outstanding portion of drop line OD was considered for this purpose.

BWR has principally relied upon the audited financials of 'MG Chariots Private Limited' up-to FY15, and publicly available information and information/clarifications provided by the management.

The ratings continue to factor in the promoters' experience in the trading of passenger vehicles. The rating also factors in the business expansion plans with support from group concerns in same line of business. The rating is, however, constrained by the relatively modest scale of operations, high gearing, thin profitability margins and stressed liquidity position.

Background

Incorporated in 2012, 'MGCPL' is a Private Limited Company, with its corporate office at Gokhale Vihar Marg, Lucknow. The Company is promoted by Mr. Ashish Agarwal and other promoters.

The Company is an authorized dealer for Renault passenger vehicles. It is engaged in the sales and workshop services of all vehicles manufactured by Renault India Private Ltd (RIPL). Besides Renault cars, it provides workshop services for other vehicles as well. The company is also engaged in trading of various spare parts and lubricants required by vehicles.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

MGCPL's sales are highly correlated to the sales promotional activities of RIPL. Any decrease in performance by RIPL or reduction in promotional activities by RIPL would adversely impact the turnover of MGCPL. The company has two group concerns viz. MG Autosales Pvt. Ltd. (dealers in Honda vehicles) and Mahendra Engg. Ltd.

Management Profile

Mr. Abhishek Agarwal, Mr. Ashish Agarwal, Mrs. Vani Agarwal and Mrs. Vandita Agarwal are the promoter directors of the Company. Some of the key promoters have more than two decades of experience. They are supported by a competent management team.

Financial Performance

The Company has reported net revenue of ₹ 50.22 Cr in FY15 as compared to ₹ 53.61 Cr in FY14, resulting into decrease in top line by ~6.3%. The operating profit margin of the company is 3.6x in FY15. The leverage of the Company is ~13.59 x in FY15. The Current Ratio of the Company stood at 0.89x in FY15, indicating a stressed liquidity position. The Tangible Net-worth of the Company stood at ~₹ 1.02 Cr in FY15. Slight improvement in debt and interest coverage ratios in FY15.

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Company's ability to increase its scale of operations, improve profit margins and efficiently manage its available working capital would remain the key rating sensitivities.

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