



Rating Rationale

Makkar Motors Pvt. Ltd.

31 July 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹.22.16 Crores of Makkar Motors Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous Jan,2018	Present
Fund based e-DFS Cash Credit CC - OD	10.00 7.50 3.66	10.00 7.50 3.66	Long Term	BWR BB+ (Pronounced as BWR double B plus) Outlook Stable	BWR BB (Pronounced as BWR double B) Outlook Stable Downgrade
Non Fund Based BG	1.00	1.00	Short Term	BWR A4+ (Pronounced as BWR A four plus)	BWR A4 (Pronounced as BWR A four) Downgrade
Total	22.16	22.16	Rupees Twenty two Crores and sixteen Lakhs Only		

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

BWR has assigned Long term rating of BWR BB and Short term rating of A4 for bank loan facility of Makkar Motors Pvt. Ltd.(the company).

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials of Makkar Motors Pvt Ltd up to FY18, publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the promoters' experience and expertise in the automobile dealing business, long relationship with suppliers resulting in repeat orders. However, the rating continues to be constrained due to working capital intensive nature of operations, low profit margin and industry characterized by competition from players in the sectors.



Going forward, the firm's ability to increase improve profit margins, and efficiently manage its working capital cycle and control receivables and payable days remains the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

1. Experienced management team with good business history with Mahindra & Mahindra Limited.

- **Credit Risks:**

1. Decline in revenue by approx than 20 per cent in FY18 w.r.t. FY17 due to decrease in demand of passenger cars of Mahindra & Mahindra Limited and increasing competition from other passenger vehicle manufacturers.
2. Thin profitability margins.
3. Low debt coverage ratio: As per the audited financials for FY18 the ISCR & DSCR stands at 0.65x and 1.35x respectively.

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).

Liquidity Profile

The firm has no liquid investments and cash balances in FY18 is Rs.1.68 crs. Conversion Cycle stands at 82 days in FY18 which is generally considered as moderate considering the nature of industry having high inventory holding period. There is a LTB of Rs.3.71 cr and the company has not provided us with any cash flows for the same. The company has a DSCR of 1.35X & ISCR of 0.65X in FY18. Current ratio of the company stands at 1.33X in FY18. Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.

Subsidiary / Associate Concern : NIL

Rating Outlook: Stable

BWR believes the **Makkar Motors Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show



sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Makkar Motors Private Limited was incorporated as Vijay Automobiles Private Limited in 1985. Later in 1995, the name of the company was changed to “Makkar Motors Pvt. Ltd.” Presently the company has three directors namely Mr. Bhupinder Singh Makkar (Managing Director), Ms. Gursharan Kaur (Director) and Ms. Nagma Sharma (Director). They are the dealer of Mahindra & Mahindra for passenger and commercial vehicles. The Company has five show rooms including main showroom in G.T. Road, Jalandhar, Punjab. Other four show rooms are located in GT Road (Jalandhar district), Bhogpur (Jalandhar district), Phillaur (Jalandhar district) and Nawanshahr (Shaheed Bhagat Singh Nagar district).

Company Financial Performance

As per the Audited Financials of FY18 the company has reported a revenue of Rs.81.60 crs with a Net profit of Rs 0.70 crs vis-a-vis Rs.90.19 crs & Net profit of Rs.0.58 crs in FY17.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	81.60	90.19
EBITDA	₹ Cr	0.95	1.26
PAT	₹ Cr	0.70	0.58
Tangible Net worth	₹ Cr	12.08	11.38
Total Debt/Tangible Net worth	Times	1.57	1.57
Current Ratio	Times	1.33	1.40

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Term	Amount (₹ Crs)	Rating	FY16	FY17	FY18
	Fund Based	Long Term	21.16	BWR BB (Pronounced as BWR double B) Outlook Stable Downgrade	BWR BB+ (Pronounced as BWR double B plus) Outlook Stable	BWR BB+ (Pronounced as BWR double B plus) Outlook Stable	BWR BB+ (Pronounced as BWR double B plus) Outlook Stable
	Non Fund Based	Short Term	1.00	BWR A4 (Pronounced as BWR A four) Downgrade	BWR A4+ (Pronounced as BWR A four plus)	BWR A4+ (Pronounced as BWR A four plus)	BWR A4+ (Pronounced as BWR A four plus)
	Total		22.16	Rupees Twenty two Crores and sixteen Lakhs Only			

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

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



Analytical Contacts	Investor Contacts
<p>V K Kukreja Associate Director - Ratings B : +91 11 2341 2232 kukreja.vk@brickworkratings.com</p> <p>Chaitanya Tambe Ratings Analyst B : +91 22 2831 1426/6745 6666 Ext :616 chaitanya.t@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
<p>1-860-425-2742</p>	

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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