



## Rating Rationale

### Meenakshi Auto Zone Private Limited

October 24<sup>th</sup> 2017

**Brickwork Ratings assigns BWR B+ for the Bank Loan Facilities of Rs. 10.00 Crs of Meenakshi Auto Zone Private Limited ("MAZPL" or the "Company")**

### Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating <sup>^</sup>
<b>Fund Based</b> CC – EDFs (IM – Maruti Suzuki for Madurai)	5.00	Long Term	<b>BWR B+</b> (Pronounced as BWR Single B Plus) <b>Outlook: Stable</b> (Assigns)
CC – EDFs (IM – Maruti Suzuki for Sivakasi)	5.00	Long Term	
<b>Total</b>	<b>10.00</b> (INR Ten Crores only )		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*Annexure-I provides details of bank wise facilities

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the CA certified provisional financial results of the Company for the 7MFY17, projected financial statements upto FY22, publicly available information and information/clarifications provided by the management.

The rating draws strength from the status of authorised dealership of the Company of Maruti Suzuki India Limited (MSIL) vehicles, extensive experience of the promoters in the dealership business and healthy revenue growth in 5MFY18. The rating is however constrained by thin margins inherent in the auto dealership business, weak financial profile due to nascent stage of operations, intense competition and cyclicity of the industry.

Going forward, the ability of the Company to increase its scale of operations, improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

### 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)

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## Key Rating drivers

### Credit strengths

- **Authorised dealership of Maruti Suzuki India Limited (MSIL), the market leader in the passenger-car segment in India**  
MAZPL's status of being an authorised dealer of MSIL, the market leader in the passenger-car segment in India, helps secure business for the Company.
- **Extensive experience of the promoters in the dealership business**  
The promoters have extensive experience of above two decades as the promoters have been authorised dealers for Ashok Leyland, Bajaj and KTM motorcycles and commercial vehicles through their other entity "RK Motors" with presence across different parts of Tamil Nadu, leading to an established brand name.
- **Healthy revenue growth in 5MFY18**  
The Company has reported a healthy growth in operating income which has improved from ~Rs. 31 Cr in 7MFY2017 to Rs. 50 Cr in 5MFY2018 (i.e. Upto Aug 2017) due to increased working capital limits and reduced waiting period for vehicles.

### Credit Weaknesses

- **Thin margins inherent in the auto dealership business**  
The business is characterised by thin margins, weak bargaining position and high working capital requirements. These margins may further be affected post implementation of GST on the industry.
- **Weak financial profile due to nascent stage of operations**  
The financial profile is characterised by a thin net profit margin in FY17 (Rs. 0.13 Cr), high gearing (3.08 times), weak interest coverage indicators (-1.04 times) due to nascent stage of operations and debt dominated capital expenditure incurred.
- **Intense competition and cyclicity of industry**  
The Company faces competition from other MSIL dealers in Tamil Nadu and dealers of other vehicle manufacturers in Sivakasi, Madurai and Theni. The Company also remains exposed to the inherent cyclical nature of the automobile industry.

### Rating Outlook: Stable

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

### Company Background:

Meenakshi Auto Zone Private Limited was incorporated in June, 2016 at Sivakasi and is an authorised dealer of Maruti Suzuki commercial, cargo, passenger vehicles and motor vehicles at various parts of Tamil Nadu. The Company has 3S set ups at Theni, Sivakasi and Madurai. The Company's related entity, RK Motors is an authorised dealer of commercial vehicles and motorcycles of Bajaj, Ashok Leyland, KTM etc. and has a market presence over ten cities of Tamil Nadu.



## Financial Performance

As per CA certified provisional FY17 statements, MAZPL reported Net Revenue of Rs.31.16 Crs and net profit of Rs 0.13 Crs for FY 17( ~7M operations). Tangible Net Worth was Rs. 2.63 Crores as on March 31, 2017. Current ratio was adequate at 1.09 times as on March 31 2017. Gearing was moderate at 3.08 times as on March 31,2017.

Key financial indicators are furnished in Annexure II.

## Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (October 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1	CC – EDFs (IM - Maruti Suzuki for Madurai)	Long term	5.00	BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable) Assigned	N/A	N/A	N/A
3	CC – EDFs (IM - Maruti Suzuki for Sivakasi)	Long Term	5.00		N/A	N/A	N/A
	<b>Total</b>		<b>10.00</b>	<b>INR Ten Crores only</b>			

Status of Non cooperation with other CRA : Not applicable

Any other information : Not applicable

## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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**Meenakshi Auto Zone Private Limited**

**Annexure I**

**Details of Rated Bank Facilities – State Bank of India, S.M.E. Branch – Madurai**

<b>Facilities</b>	<b>Rated Amount (Rs Crs)**</b>
CC – EDFs (IM -Maruti Suzuki for Madurai)	5.00
CC – EDFs (IM -Maruti Suzuki for Sivakasi)	5.00
<b>Total</b>	<b>10.00</b>

**Annexure II**

**Key Financial Indicators**

<b>Particulars</b>	<b>FY2017 (~7M)</b>
<b>Net Revenue</b> (Rs. Cr)	31.16
<b>EBITDA</b> (Rs. Cr)	-0.3
<b>PAT</b> (Rs. Cr)	0.13
<b>Tangible Net Worth</b> (Rs Cr)	2.63
<b>Total Debt: TNW</b> (Times)	3.08
<b>Current Ratio</b> (Times)	1.09

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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