

## Meenakshi Traders

July 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	16.00 (Enhanced from 13.00)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Meenakshi Traders (Meenakshi) continues to be constrained by modest scale of operations, low operating margins due to trading nature of business, low net worth base, and high working capital intensity of operations. However, the rating draws strength from the promoter's vast experience in the auto spare parts distribution industry, and the firm's strong relationship with the reputed supplier base. The rating also draws comfort from stable operational performance in FY24 (April 01 to March 31)

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Consistently growing scale of operations above ₹300 crore.
- Stably improving operating margins above 5%.
- Improving total operating liabilities to total net worth (TOL/TNW) below 1.5x.

#### Negative factors

- Capital withdrawals leading to deteriorating overall gearing beyond 5x.
- Declining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins below 3%.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that Meenakshi Traders will continue to benefit from extensive experience of promoters and its strong association with its supplier base.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations

Meenakshi is into trading and distribution of two-wheeler (2W) and three-wheeler (3W) auto spare parts. The firm operates through 14 different outlets spread across Kerala. Despite being operational for more than three decades, the scale of operations as defined by total operating income (TOI) through improved, stood small at ₹163 crore in FY24 (FY23: ₹154 crore). However, TOI grew at a healthy compounded annual growth rate (CAGR) of 16% in the last five years driven by the healthy growth in aftermarket sales of automotive components. Due to the trading nature of operations and intense competition from other traders, the firm's profitability margins remained low between 3.5-4.5% over the years. The PBILDT margin stood at 4.24% in FY24 (FY23: 4.00%).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Low net worth base

The firm's net worth bases stood low at ₹8.78 crore as on March 31, 2024 (Prov) primarily considering frequent capital withdrawals in the past, which kept the capital structure leveraged as indicated by overall gearing of 3.37x as on March 31, 2024. Per the firm's management, capital withdrawals were made to set up other businesses within the group and no further withdrawals are expected in coming years. Further capital withdrawals by the promoter negatively impacting the firm's capital structure and liquidity shall remain a key monitorable from the rating perspective. Debt coverage indicators stood satisfactory with total debt to gross cash accruals (TD/GCA) at 7.94x as on March 31, 2024, and interest coverage at 2.93x.

### Working capital intensive operations

The firm's operations are working capital intensive as reflected in the working capital cycle of 58 days in FY24. Firm gives a credit period of around 40-45 days to its customers and keeps an average inventory of about 25-30 days. Meenakshi does not receive credit period from its OEM suppliers and instead funds it through the respective channel financing limits. The firm has increased its cash credit (CC) limit from ₹13 crore to ₹15 crore. Average combined working capital utilisation stood high in the excess of 90% for 12-months ended May 2024.

### Key strengths

#### Extensive experience of promoter

The promoter Peeyoush Kumar Gupta has over 40 years of experience in the auto spare parts distribution business and has been managing Meenakshi for the past 35 years. He oversees the firm's day-to-day and is supported by experienced professionals, who look after different divisions and functional areas. The entity was established in 1987 and is supplying spare parts of some of the established brands such as TVS, Bajaj, Yamaha and Piaggio.

#### Long-standing relationship with reputed suppliers

The promoter's vast experience in the auto spares trading business has enabled the firm to forge good relationships with some of the top 2W and 3W OEMs including TVS, Bajaj, Yamaha and Piaggio. Meenakshi caters to a wide range of spare part customers in Kerala and Tamil Nadu. It has 14 branches in Kerala in Kochi, Trivandrum, Calicut, and Kannur. The firm has an extensive network of 2700 sub dealers and customers as of date. The customer base remained diversified with top five customers driving around 11% of its total sales.

#### Liquidity: Stretched

The firm's liquidity is stretched marked by high utilisation of working capital limits at 90-95% in 12- months ended May 2024. Expected accruals of ₹4-5 crore in FY25 are sufficient to cover the repayment obligations. The firm had a modest cash and bank balance of ₹0.30 crore as on March 31, 2024.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services and supplies	Trading and distributors

Meenakshi was established in 1987 in Kerala as a sole proprietorship firm by Peeyoush Kumar Gupta and is engaged in trading and distribution of 2W and 3W spare parts. The firm currently operates through 14 outlets in major cities including Kozhikode, Thiruvananthapuram, Kochi and Kannur. The portfolio includes products from major OEMs including Bajaj, Yamaha, TVS, and Piaggio among others. Meenakshi has an extensive network of more than 2700 sub dealers in Kerala. The firm's day-to-day operations are managed by the proprietor Peeyoush Kumar Gupta and his team of managers. Apart from Meenakshi, the promotor and his family are also involved in distribution of auto spares of other companies such as Studds, Honda, Royal Enfield, Tata Motors, Bosch, and Mahindra.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	121.26	153.82	163.31
PBILDT	4.76	6.15	6.93
PAT	3.04	3.74	4.01
Overall gearing (times)	3.41	4.29	3.37
Interest coverage (times)	3.31	3.25	2.93

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	16.00	CARE BB+; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	16.00	CARE BB+; Stable	-	1)CARE BB+; Stable (12-Jun-23)	-	-

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	<b>Analytical Contacts</b>  Sandeep P Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1002 E-mail: <a href="mailto:Sandeep.prem@careedge.in">Sandeep.prem@careedge.in</a>  Jitendra Singh Assistant Director <b>CARE Ratings Limited</b> Phone: +91-42-2450 2306 E-mail: <a href="mailto:Jitendra.Singh@careedge.in">Jitendra.Singh@careedge.in</a>  Vishwabharan R Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Vishwabharan.R@careedge.in">Vishwabharan.R@careedge.in</a>
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