

## My Car Nexa Private Limited

November 28, 2022

### Rating

Facilities/ Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	17.75	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>17.75</b> <b>(₹ Seventeen Crore and Seventy-Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from My Car Nexa Private Limited (MCNPL) to monitor the ratings vide e-mail communications dated November 18, 2022, November 01, 2022, October 31, 2022, etc. and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on October 06, 2021, the following were the rating strengths and weaknesses.

#### Key rating strengths

**Small and declining scale of operations with low net worth base:** The company started its commercial operations in January 2016 and its scale of operations has been declining on y-o-y basis over the past four years (FY18-FY21, FY refer to period April 01 to March 31). The scale of operations stood small marked by a total operating income (TOI) of Rs. 45.77 crores during FY21 (PY: Rs.50.58 crores). The same is on account of decline in the sales volume. During FY21, the company sold 796 vehicles as against 844 vehicles sold during FY20. Furthermore, the tangible net worth stood low at Rs.2.71 crore as on March 31, 2021. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

**Weak financial risk profile:** An automotive dealer's revenues are primarily driven by volumes, while the profits are driven by the sale of spares and service income, as the latter fetches higher profit margins. The company has limited negotiating power with manufacturers and has no control over the selling price of the vehicles as the same is fixed by the manufacturers. However, the company's PBILDT margins improved from 2.10% in FY20 to 7.48% in FY21 on account decline in discount rates which was given to the customers and cost rationalization done by the company. The PAT margins of company have also improved yet stood low at 0.48% in FY21 (PY: -2.96%). The capital structure stood leveraged with high overall gearing of 6.86x as on March 31, 2021 (PY: 6.22x as on March 31, 2020). The same has been primarily on account of low net-worth base and high dependence on external borrowings to meet its working capital requirements and additional covid facility (GECL) loan availed by the company during FY21. Further, the debt service coverage indicators of the company stood weak owing to low profitability coupled with high debt levels. Interest coverage ratio and total debt to GCA stood at 1.05x and 49.06x respectively in FY21 (PY: 0.36x and -8.20x respectively).

**Limited bargaining power and Fortunes of the company linked with growth plans of the manufacturer:** The company procures its product directly from its principal; and is not dependent upon any dealers/distributors for business which helps the company to avail better pricing of purchases. Furthermore, the fortunes of the company are directly linked to its supplier. This also exposes the company's revenue growth and profitability to its supplier's future growth prospects. Any impact on business and financial profile of the manufacturer will also have an impact on the growth prospects of the company. Moreover, dealers have less bargaining power over principal manufacturer. In order to capture the market share, the auto

<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

dealers' offers better buying terms like allowing discounts on purchases. Such discounts offered to customers create margin pressure.

**Pricing constraints and margin pressure arising out of competition from various auto dealers in the market:** The margin on products is set at a particular level by Maruti Suzuki India Limited thereby restricting the company to earn incremental income. With the large dealership network of Maruti Suzuki India Limited, the bargaining power of the dealer with the customer is further reduced. The market also faces aggressive competition from various other established automobile dealers of companies like Hyundai Motors and Tata Motors Limited etc. In order to capture the market share, the auto dealers have to offer better buying terms like providing credit period or allowing discounts on purchases which create margin pressure and negatively impact the earning capacity of the company.

#### **Key rating weaknesses**

**Experienced Promoters:** The company is incorporated and promoted by Sh. Purshottam Das Garg, Mr. Vijay Garg and Mrs. Kavita Garg. Sh. P.D. Garg is a qualified Chartered Accountant and has an experience of more than 50 years. Mr. Vijay Garg is a graduate by qualification and has an experience of around more than twenty years in the dealership business through his association with MCNPL and other group concerns. Mrs. Kavita Garg has an experience of around ten years in the dealership business through her association with MCNPL and other group concerns. Further, company has a dedicated team of marketing and sales professionals, service in-charge and customer relation officers, who have more than one and half decade of experience in their respective fields.

**Association with reputed brand name:** MCNPL is the authorized dealer of Maruti Suzuki India Limited (MSIL) which has been the market leader in passenger car segment for more than three decades. MSIL offers a wide range of cars across different segments including 17 models and over 150 variants. In the domestic passenger car market, MSIL has established market position underpinned by the strong position of its healthy presence in the small, Hatch back, Sedan, and SUV segment in domestic market.

#### **Liquidity analysis: Stretched**

The company has stretched liquidity marked by lower gross cash accruals of Rs.0.38 crore, fully utilized bank limits and modest free cash and bank balance amounting to Rs.2.86 crores. The company needs to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility leading to higher inventory days. The average inventory holding days of the company stood at 107 days in FY21 (PY: 87 days). The increase in the inventory days was on account of the slowdown in the auto-sector, thus impacting the overall demand. Though the sales to customers are made on "Cash and Carry" basis however, around 70% of the vehicles are bought on vehicle financing basis through banks. The said phenomenon results in a collection period of around 19 days. Further, the company received a credit period of around 7 days from the suppliers for procurement. Besides this, the large working capital requirements are met through bank borrowings which remained almost fully utilized for the past 12 months ended July 2021.

**Analytical approach:** Standalone

#### **Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

#### **About the company**

Kanpur (Uttar Pradesh) based My Car Nexa Private Limited (MCNPL) was incorporated on November 05, 2015. The company is currently being managed by Mr. Vijay Garg, Sh. Purshottam Das Garg and Mrs. Kavita Garg. MCNPL is an authorized dealer for passenger cars manufactured by Maruti Suzuki India Ltd for its premium sales channel, 'NEXA'. The showroom became operational in January 2016; MSIL currently sells the Baleno (All variants), S-Cross, Ciaz (All variants) and Ignis through NEXA outlets. The company manages its operations through its 3S (Sales, spare and service) facility located in Kanpur, Uttar Pradesh. The showroom has attached workshop facility for the post sales services of cars.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY2023 (UA)
Total operating income	45.62	40.81	NA
PBILDT	3.27	2.17	NA
PAT	0.22	0.23	NA
Overall gearing (times)	6.86	5.93	NA
Interest coverage (times)	1.01	1.16	NA

A: Audited; UA: Unaudited; NA: Not Available

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

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### 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		-	-	-	13.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Oct-2021	4.75	CARE B; Stable; ISSUER NOT COOPERATING*

#### Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	13.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (06-Oct-21)	1)CARE B; Stable (04-Aug-20)	-
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	-	-	-	1)Withdrawn (06-Oct-21)	1)CARE B; Stable (04-Aug-20)	-
3	Fund-based - LT-Term Loan	LT	4.75	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (06-Oct-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of various instruments rated for this company

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

**Annexure-5: Bank lender details for this company**

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

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

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**About us:**

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