Vinayak Cars Private Limited

September 11, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	10	**CARE B; Stable; ISSUER NOT COOPERATING* (Single B ;Outlook: Stable; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; revised from CARE B+;Stable on the basis of best available information
Total	**10 (Rs. Ten crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Vinayak Cars Private Limited to monitor the rating vide e-mail communications dated July 19, 2020, July 30, 2020, August 4, 2020, August 13, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Vinayak Cars Private Limited bank facilities will now be denoted as CARE B; Stable; ISSUER NOT COOPERATING*

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

The ratings have been revised on account of absence of information on company's operational & financial performance and other critical data related to the business profile of the Company post the last review. Further, CARE is unable to carry out the due diligence exercise with the lenders & auditors and therefore is unable to assess the company's ability to service the debt obligations.

Detailed description of the key rating drivers

At the time of last rating on November 7, 2019 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Moderation in operational performance and weak financial risk profile: The operations of VCPL moderated during FY19 due to the exit of Benelli from India, however post the re-entry of the group, the company clocked sales of Rs.2 Cr for Jan-Mar '19. But, the operations of the company moderated further due to prevalent auto industry slowdown and uncertainties regarding government regulations. With this the total operating income showed a marginal decline of 5.44% from Rs.127.66 crores in FY18 to Rs.120.71 crores in FY19. In H1FY19, the sale of Yamaha 2 wheelers and Skoda cars were hit, yet performed relatively well in the Benelli segment. For H1FY19, the company clocked turnover of Rs. 43.4 Cr. In FY19, the company's margin fell at PBILDT level from 3.40% in FY18 to 2.06% in FY19. Company reported thin PAT margin of 0.39% in FY19 after adjusting the extra-ordinary income of Rs. 2.71 Cr against net losses in FY18. The interest coverage ratio deteriorated from 1.23x in FY18 to 0.74x in FY19.

Stretched liquidity position: VCPL heavily depends on working capital borrowings and high inventory holding period as the company needs to keep sufficient inventory for display. The company has Rs. 17 Cr inventory funding and Rs. 10 Cr cash credit facility. The working capital cycle of the company deteriorated to 88 days in FY19 (PY: 77 days) attributable to higher inventory holding period with increasing demand for the new launches and a high receivable days. The average CC utilisation of the company for the 12-month period ended Sep, 2019 was 85%.

Prospects linked to performance of its principals and intense competition in the dealership market: VCPL is an authorized dealer of Skoda, Yamaha and Benelli which makes the company vulnerable to the risk of change in policy by the principal with regards to the dealership. Accordingly, the financial risk profile of the company has a high degree of correlation with the performance of its principal's vehicles in the market and their ability to launch new products as per the market dynamics. Further, VCPL is also exposed to competition from the products of other OEMs and dealers operating in the same region.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

Cyclical nature of the Automobile Industry: The auto industry is inherently vulnerable to the economic cycles and is sensitive to the interest rate environment, level of fuel prices and monsoon. The Indian automobile industry is expected to face disruptions in the supply chain with raw material shortage in the coming months in terms of increased costs as well as unavailability of such components. Also, the impact is expected to be higher in case of electric vehicle components as India relies heavily on imported electronics and cells. Due to this pandemic many OEMs has cut down productions and laid off workers. Improvement of macro-economic factors like revival of industrial production, lowering of interest rates, rise in disposable income will help in attaining the consumer confidence and will help in improving the credit profile of auto mobile dealers.

Key Rating Strengths

Experienced Promoters having a decade long track record of operations: Mr. Suresh Bafna, the MD and CEO, has a decade of experience in the auto dealership industry. Vinayak Cars Private Limited (VCPL) is part of the Vinayak group venturing into dealership of Skoda, Benelli, Yamaha and TATA commercial motors. The group also had a dealership of Hyundai cars till August, 2017. VCPL has two Skoda showrooms, one showroom each of Yamaha and Benelli and two Skoda workshops in Bangalore.

Established presence in auto dealership market with diversified revenue profile: VCPL started with Skoda Dealership in 2007 in Bangalore and Yamaha in 2014 & Benelli in 2015 to their portfolio. In terms of market share, VCPL has 50% in the sales of Skoda cars, 90% in Benelli and around 6% in Yamaha 2 wheelers in Bangalore. The company sold 803 cars (PY: 782 cars) and 1701 two wheelers (PY: 1928) in FY19. The sale of Skoda cars remains the major contributor to the total revenue given the high ticket size. In FY19, Benelli sales dropped due to the exit of DSK Benelli in February 2018, however, in August ’18 the Benelli group re-entered the Indian market through M-o-U with Hyderabad based Mahavir group. In H1FY20, the sale of Benelli bikes improved following new launches and VCPL sold 88 bikes. However, the sale of Yamaha 2 wheelers and Skoda fell due to muted demand uncertainty regarding BS VI vehicles and overall economic slowdown. The service income and sale of spare parts accounted for 22% and 33% of the revenue in FY19 & H1FY20.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE’s Policy on Default Recognition
Financial Ratios - Non Financial Sector

About the Company

Vinayak cars Private Limited (VCPL) was incorporated in 2007 and is headed by Mr. Suresh Kumar Bafna. The company is engaged in the business of auto-dealership for Skoda and bike dealership of Yamaha and Benelli. The company has 4 showrooms (2 showrooms for Skoda and one each for Yamaha & Benelli) and 2 workshops for Skoda cars, all located in Bengaluru.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	127.66	120.71
PBILDT	4.34	2.48
PAT	-0.14	0.47
Overall gearing (times)	10.33	7.74
Interest coverage (times)	1.23	0.74

A: Audited

Status of non-cooperation with previous CRA: Acuite Ratings and Research Limited continues to place ratings of Vinayak Cars Private Limited as the issuer/borrower failed to submit relevant information before due date.

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

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based – LT-Cash Credit	-	-	-	-	10.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE B+; Stable (7-Nov-19)	1)CARE B+; Stable (27-Dec- 18)	1)CARE BB-;Stable (30-Jan-18)

**Issuer did not cooperate; Based on best available information*

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

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

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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