

SVR Motors

	(Rs. Crore ¹)	August 2016
Long-Term Fund Based CC	5.00	[ICRA]B+ Assigned
Long-Term Term Loan	0.50	[ICRA]B+ Assigned

ICRA has assigned a long-term rating of [ICRA]B+ (pronounced ICRA B plus)² to the Rs. 5.00 crore fund based facilities and the Rs. 0.50 crore term loan facilities of SVR Motors (SVR/ the firm).

Rating Rationale

The assigned rating is constrained by SVR's leveraged capital structure due to the small net worth, subdued levels of debt coverage indicators and low operating profitability on account of pricing policies being decided by the principal. The rating also considers SVR's tight liquidity position as reflected by high working capital utilisations to fund inventory levels and the high competitive intensity, with the pressure to pass on discounts to end customers that further limits its profitability. The rating also considers Mitsubishi's (with its Indian partner Hindustan Motor Finance Corporation Limited's) limited product portfolio and low market share in the Indian passenger vehicle (PV) industry. ICRA takes note of the firm's exposure to the cyclical nature of the PV demand and the inherent risks associated with partnership nature of the firm, including the risks of withdrawal of capital, among others.

The rating, however, takes comfort from SVR's strong market position as the sole authorised car dealer of HMFCL for Bangalore and Hubli, and also its presence as one of the two HMFCL dealers in Karnataka. Besides, the firm has a diversified revenue stream through the sale of new vehicles and spare parts/ accessories and service income. ICRA also takes note of SVR's low principal repayment obligations in the future and consistent increase in turnover over the years, but the same remains moderate restricting operational and financial flexibility to some extent. Although SVR's revenue and volumes were low during Q1FY2016-17, the same is expected to increase in the remaining part of FY2016-17 on the back of two new car launches, Montero and Outlander, in August 2016 and January 2017, respectively. Besides, revenues are likely to increase from its newly-opened showroom in Banaswadi, Bangalore and upcoming workshop at Yelahanka, Bangalore.

Going forward, SVR's ability to increase its revenues and profitability, given the competitive environment, improve its capital structure and effectively manage its working capital requirements will be the key rating sensitivities.

Company Profile

Established in 2009-10 by Mr. CA Prasad and Mr. CV Ramani in Bangalore, Karnataka, SVR Motors is the sole authorised Mitsubishi car dealer for Bangalore and Hubli in Karnataka. Since April 2014, Hindustan Motor Finance Corporation Ltd (HMFCL) operates as an independent company who manufactures & markets the "Mitsubishi" brand products in India. Currently, SVR sells and services Pajero Sports along with its spare parts and accessories. SVR has three showrooms and one workshop in Bangalore, Karnataka and one showroom in Hubli, Karnataka. The Banaswadi, Bangalore showroom has been set up recently in August 2016 and the firm is also setting up a new service centre in Yelahanka, Bangalore in October 2016 which would support its service revenues.

August 2016

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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