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Rating Rationale

April 21, 2021 | Mumbai

Lexus Motors Limited

Rating Action

Total Bank Loan Facilities Rated	Rs.30 Crore
Long Term Rating	CRISIL B+/Stable

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings rating on the long-term facilities of Lexus Motors Ltd (LML) continues to reflect LML's exposure to intense competition in the automobile dealership industry and weak financial risk profile. These weaknesses are partially offset by its established market position.

Key Rating Drivers & Detailed Description

Weaknesses:

Intense competition in the automobile dealership industry: The automotive sector is intensely competitive with a large number of players in the mini, compact, mid-size, executive, premium, and luxury passenger car segments. LML faces intense competition from the unorganised used car market and from dealers of other leading and established players in the sector.

Working capital intensive operations: Gross current assets (GCAs) were at 39-107 days over the three fiscals ended March 31, 2020 driven by moderate debtor and inventory levels. GCAs were low at 39 days as on March 31, 2020 as compared to over 75 days for some of its peers.

Weak financial risk profile: Gearing was sizeable at 2.44 times and total outside liabilities to adjusted tangible networth ratio at 2.8 times as on March 31, 2020. Debt protection measures were weak with interest coverage and net cash accrual to total debt ratios of 1.14 times and 0.02 time, respectively, for fiscal 2020. Debt measures are expected to remain at similar level over the medium term.

Strength:

Established market position: LML's moderate scale provides it an operating flexibility in an intensely competitive industry. The promoters' experience of over three decades, their strong understanding of market dynamics, and healthy relations with customers and suppliers should continue to support the business.

Liquidity: Poor

Cash accrual is expected to be tightly matched against term debt obligations over the medium term. Bank limit utilisation was moderate at around 46% for the 12 months ended December 2020. Current ratio was healthy at 1 time as on March 31, 2020. However, need-based funding support from the promoters is expected to continue.

Outlook Stable

CRISIL Ratings believes LML will continue to benefit from its longstanding relationship with the principal and experience of the management to mitigate the inherent risk in the trading business.

Rating Sensitivity factors

Upward factors

- * Increase in revenue or margins leading to cash accrual of more than Rs 5 crore
- * Improvement in financial risk profile i.e. interest coverage and gearing

Downward factors

- * If business is stagnant due to weak demand; or a stretch in receivables or pile-up of inventory adversely affects liquidity
- * Relationship with the principal strains

About the Company

Incorporated in 1991, LML is an authorised dealer of vehicles of Tata Motors Ltd (CRISIL AA-/Negative/CRISIL A1+). It is also the sole dealer for Jaguar Land Rover cars in eastern India.

Key Financial Indicators

As on / for the period ended March 31		2020	2019
Operating income	Rs crore	562.96	814.14
Reported profit after tax	Rs crore	0.17	1.00
PAT margin	%	0.03	0.12
Adjusted debt/Adjusted networkth	Times	2.44	9.36
Interest coverage	Times	1.14	1.19

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	30	NA	CRISIL B+/Stable

Annexure - Rating History for last 3 Years

	Current	2021 (History)	2020	2019	2018	Start of 2018

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	30.0	CRISIL B+/Stable	26-02-21	CRISIL B+/Stable		--		--		--	Suspended

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	30	CRISIL B+/Stable	Inventory Funding Facility	30	CRISIL B+/Stable
Total	30	-	Total	30	-

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings](#)

[Understanding CRISILs Ratings and Rating Scales](#)

[The Rating Process](#)

[CRISILs Criteria for rating short term debt](#)

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