



Press Release

Ace Kudale Corporation Limited

September 20, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	32.43	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR B/Negative/INC* (IVR Single B with Negative Outlook/ Issuer Not Cooperating)	Upgraded and removed from ISSUER NOT COOPERATING Category	Simple
2.	Short Term Bank Facilities	10.25	IVR A4 (IVR A Four)	IVR A4/ INC* (IVR A Four/ Issuer Not Cooperating)	Reaffirmed and removed from ISSUER NOT COOPERATING Category	Simple
3.	Long Term/Short Term Bank Facilities – Proposed	12.32	IVR BB-/Stable/ IVR A4 (IVR Double B Minus with Stable Outlook/ IVR A Four)	IVR B/Negative/INC*/ IVR A4/ INC* (IVR Single B with Negative Outlook/ Issuer Not Cooperating IVR A Four/ Issuer Not Cooperating)	Upgraded/Reaffirmed and removed from ISSUER NOT COOPERATING Category	Simple
Total		55.00	Rupees Fifty Five Crore Only			

**ISSUER NOT COOPERATING; Based on best available information*

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded/reaffirmed and removed from Issuer Not Cooperating category, the long term and shot term rating of IVR BB- with Stable outlook and IVR A4 for the bank loan facilities of Ace Kudale Corporation Limited (AKCL).



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The rating continues to draw comfort from its experienced promoters and long track record of operations, improvement in the scale of operations. However, these rating strengths are partially offset by leveraged financial risk profile, thin profitability margins inherent to dealership business, linked to the fortunes of Maruti Suzuki India Limited (MSIL)/Suzuki Motors India Limited (SMIL) and inherent risk from external factors, intense competition and regional concentration of sales.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term as the company has established relationship with MSIL and SMIL.

IVR has principally relied on the audited financial results of AKCLs up to 31 March 2023, FY2024 (refers to period from 1st April 2023 to 31st March 2024) unaudited management certified provisional results and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company's management.

Upward factors

- Substantial improvement in scale of operations and EBIDTA Margins.
- Improvement in debt protection metrics and sustenance of overall gearing ratio below 3x.

Downward factors

- Significant reduction in scale of operations and profitability margins.
- Deterioration in debt protection metrics and overall gearing.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and long track record of operations:**
The company began operations in 2007, has a successful track record extending over three decades in the automobile dealership sector. AKCL is led by Mr. Deepak Laxmanrao Kudale, Chairman and Managing Director, who brings over 30 years of experience in the industry. He is supported by a team of directors with substantial expertise in automobile dealerships and a qualified, experienced management team.
- **Improvement in scale of operations:**
The total operating income (TOI) increased by 12.12%, to Rs.170.10 crore in FY2024 (Provisional) from Rs.151.71 crore in FY2023. This growth was driven by high demand for cars, accessories, spare parts, and workshop services. In FY2024, approximately 75% of the revenue was derived from automobile sales and trading, with the remaining income coming from the sale of services, spare parts, bikes, cycles, and workshop activities.



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Key Rating Weaknesses

- **Leveraged financial risk profile:**

The debt coverage protection metrics has remained below unity in FY2024 (Provisional). The Interest Service Coverage Ratio (ISCR) increased to 0.61x in FY2024 (Provisional) from 0.21x in FY2023, while the Debt Service Coverage Ratio (DSCR) stood at 0.74x in FY2024 (Provisional) from 0.59x in FY2023. The Adjusted Tangible Net Worth has remained moderate at Rs.19.07 crore in FY2024 (Provisional) from Rs.18.44 crore in FY2023. However, the overall gearing ratio remained high at 3.73x in FY2024 (Provisional) from 3.18x in FY2023.

- **Thin profitability margins inherent to dealership business:**

The dealership business typically operates with narrow profit margins and limited bargaining power, as vehicle margins are set by the principal. In FY2024 (Provisional), EBITDA margins improved to 1.86% from 0.63% in FY2023. Similarly, PAT margins increased to 0.37% in FY2024 (Provisional), compared to 0.12% in FY2023.

- **Linked to the fortunes of Maruti Suzuki India Limited (MSIL)/Suzuki Motors India Limited (SMIL) and inherent risk from external factors:**

As an authorized dealer for MSIL and SMIL, AKCL faces risks related to potential changes in dealership policies set by the principals. The company's financial risk profile is closely tied to the market performance of MSIL's and SMIL's vehicles and their ability to adapt with new product launches. Additionally, AKCL, like other automotive dealers, is exposed to economic uncertainties and regulatory challenges in developing markets. These include potential changes in tax policies, fluctuations in fuel prices, new emission standards such as BS VI, shifts towards electric vehicles, and evolving customer demands.

- **Intense competition and regional concentration of sales:**

The automotive dealership industry is highly competitive with stiff competition from other dealerships. Intense competition from the dealers of other OEMs also exerts pressure on AKCL's sales volumes and margins. Moreover, the incremental investment requirement to regularly upgrade the dealership outlets, in line with the principal's marketing strategy, keeps the cash flows of the dealerships under pressure.

Analytical Approach: For arriving at the ratings, IVR has analysed AKCL's credit profile by considering the standalone financial statements of the company.



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Applicable Criteria:

[Rating Methodology for Trading Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
[Criteria for assigning Rating outlook.](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Stretched

The company has stretched liquidity marked by net cash accruals to its maturing debt obligations. The Company generated net cash accruals of Rs.1.24 crore for FY2024 (Provisional) while its maturing debt obligations were Rs.3.53 crore for the same period. The cash accruals of the Company are estimated to remain in the range of around Rs.2.38 crore to Rs.3.92 crore during FY2025-27 against repayment obligation in the range of Rs.4.47 crore to Rs. 6.78 crore during the projected years. The current ratio stood at 1.94x as on March 31st, 2024.

About the Company

Kudale Group is in the service industry in Pune since 1932. Over the years, the company has developed relationship with customers which have lasted over four generations. Authorized dealership of the Maruti Suzuki was started in 2009 in Manjari area of Pune City. Later in 2012, one more branch was opened in Bhosari area of Pune City.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	151.71	170.10
EBITDA	0.95	3.17
PAT	0.19	0.64
Total Debt	58.64	71.18
Tangible Net worth	18.44	19.07
EBITDA Margin (%)	0.63	1.86
PAT Margin (%)	0.12	0.37
Overall Gearing Ratio (x)	3.18	3.73
Interest Coverage Ratio (x)	0.21	0.61

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (July 15, 2024)	Date(s) & Rating(s) assigned in 2023-24 (May 25, 2023)	Date(s) & Rating(s) assigned in 2022-23
1.	Fund Based	Long Term	32.43	IVR BB-/Stable	IVR B/INC/A4	IVR B+/Stable	-
2.	Fund Based	Short Term	10.25	IVR A4	IVR A4/INC	IVR A4	-
3.	Fund Based	Long Term/ Short Term	12.32	IVR BB- /Stable/A4	IVR B/INC/A4	IVR A4	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	April 2033	7.68	IVR BB-/Stable
Term Loan 2	-	-	July 2032	1.87	IVR BB-/Stable
Term Loan 3	-	-	November 2032	0.84	IVR BB-/Stable
Term Loan 4	-	-	April 2026	4.26	IVR BB-/Stable
Dropline Overdraft	-	-	-	5.78	IVR BB-/Stable
Cash Credit	-	-	-	12.00	IVR BB-/Stable
Inventory Funding	-	-	-	10.00	IVR A4
Trade Finance	-	-	-	0.25	IVR A4
Proposed	-	-	-	12.32	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ace-sep24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).