



## Press Release

### Micropark Logistics Private Limited (MLPL)

July 24, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.22	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	0.50	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Proposed Long Term Facilities	24.28	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
<b>Total</b>	<b>60.00 (Rupees Sixty crore only)</b>				

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 has assigned its ratings to the bank facilities of MLPL which derives strength from sustained improvement in revenue and profitability, comfortable capital structure, extensive experience of promoters. The ratings strengths are, however, constrained by thin operating margins and working capital intensive operations, in line with the automobile dealership industry and vulnerable to inherent cyclicity in automobile industry.

The assignment of stable outlook reflects that MLPL will continue to benefit from the extensive experience of its promoters in automobile dealership and pharmaceutical products distribution business coupled with expected improvement in revenue and profitability over FY25-FY27.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained growth in operating income while maintaining the current profitability leading to overall improvement in cash accruals and improvement in overall gearing and TOL/TNW.



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### **Downward Factors**

- Sustained decline in revenue and profitability and/or increase in working capital cycle leading to deterioration in liquidity and overall gearing and TOL/TNW.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Sustained improvement in revenue and profitability**

MLPL's revenue has improved by 27.89% on y-o-y basis to Rs. 1,088.29 crore as per FY24(P) (refers to period April 1, 2023, to March 31, 2024) from Rs. 850.94 crore led by increase in revenue in automobile segment. MLPL derives revenue from two segments namely i.e. Automobile Segment (77.19% of revenue of FY24(P)) and pharmaceutical distribution segment (16.48% of revenue for FY24(P)). Further, EBITDA margins have improved to 2.91% in FY24(P) from 2.13% in FY23 due to benefits of operating leverage and control over cost. Infomerics expects MLPL is expected to maintain stable revenue growth and stable profitability over FY25-FY27 with stable margins from Automobile Segment and relatively strong profitability from pharmaceutical distribution segment.

##### **Comfortable capital structure**

MLPL's capital structure continued to remain comfortable in FY24(P) with improvement overall gearing at 1.78x in FY24(P) as against 2.04x in FY23 on account of improvement in net worth with accretion of profits. Further, MLPL's TOL/Adjusted TNW remained high though marginally improved to 3.40x in FY24(P) from 3.97x in FY23 due to decline in advances received from customers. MLPL's interest coverage ratio and Total debt/ NCA ratio has improved to 2.38x and 7.21x respectively in FY24(Prov.) from 1.41x and 12.89x respectively in FY23 with improved profitability.

##### **Extensive experience of promoters**

MLPL is managed by Mr. Hemang Parikh, who has more than three decades of experience in pharmaceutical distribution and automobile dealership segment and Mr. Hitesh Parikh also has more than three decades of experience in pharmaceutical industry. Their experience has been critical in enabling the company to establish relationships with customers and suppliers, leading to timely scaling up of operations, and should continue to support the business.



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### **Key Rating Weaknesses**

#### **Thin operating margins in line with the automobile dealership industry**

MLPL's profit margins have historically been thin, given the nature of the automobile dealership business where the commission is decided by the principal. MLPL's operating margins continues to remain thin, in the range of ~2%, with limited scope for pricing at a premium given the intense competition in the market and lack of bargaining power.

#### **Intense competition in the auto dealership industry**

Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Ford, Maruti-Suzuki, Tata Motors etc. in the passenger vehicle segment. Entry of the global players in the Indian market has further intensified the competition. Due to very high competition in the industry, dealers are also forced to pass on discounts and other schemes to attract customer as this is a volume driven business. Hence, performance and prospects of the company is highly dependent on Mahindra & Mahindra Limited being its principal.

#### **Vulnerable to inherent cyclicity in automobile industry**

The company remains vulnerable to cyclical downturns in automobile industry. Further, MLPL revenues like other auto dealers remains vulnerable to the regulatory changes (like tax amendments, upward migration to pollution standards) also to consumer sentiments mainly given the discretionary nature of the spend.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)



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### **Liquidity – Adequate**

The liquidity position of the company remains adequate as cash accruals are expected to adequately match with debt repayment obligations. The average fund based working capital utilisation for 12 months ending May 2024 has been 74.77% for past 12 months. The current ratio and quick ratio stood at 1.13x and 0.34x respectively, as on March 31, 2024.

### **About the Company**

MLPL was incorporated in 2004 and promoted by Mr Hemang Parikh, Mr Hitesh Parikh, Mr Dilip Parikh, and Mr. Ramshankar Mehadia. MLPL is an authorized automobile dealer for the vehicles of Mahindra & Mahindra Limited and has showrooms and service centres in Pune and Nagpur. MLPL is also engaged in distribution and carrying and forwarding activities of pharmaceutical products for which the company has its own warehouses located in multiple states.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	850.94	1088.29
EBITDA	18.08	31.64
PAT	4.92	13.00
Total Debt	96.27	112.74
Tangible Net Worth	47.21	63.44
EBITDA Margin (%)	2.13	2.91
PAT Margin (%)	0.58	1.19
Overall Gearing Ratio (x)	2.04	1.78
Interest Coverage (x)	1.41	2.38

*\*Calculations as per Infomerics Standard.*

**Status of non-cooperation with previous CRA: Nil**

**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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	GECL 2.0 Extension	Long Term	2.22	IVR BBB/ Stable	--	--	--
2.	Cash Credit	Long Term	33.00	IVR BBB/ Stable	--	--	--
3.	Bank Guarantee	Short Term	0.50	IVR A3+	--	--	--
4.	Proposed Cash Credit	Long Term	24.28	IVR BBB/ Stable			

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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.



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For more information and definition of ratings please visit [www.infomerics.com](http://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
GECL 2.0 Extension	-	-	December, 2026	2.22	IVR BBB/ Stable
Cash Credit	-	-	-	33.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	0.50	IVR A3+
Proposed Cash Credit	-	-	-	24.28	IVR BBB/ Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MLPL-july24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/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 [www.infomerics.com](http://www.infomerics.com).