

Rating Advisory

February 27, 2023 | Mumbai

Lexus Motors Limited

Update as on February 27, 2023

This rating advisory is provided in relation to the rating of Lexus Motors Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Increase in revenue or margins leading to cash accrual of more than Rs 10 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

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Lexus Motors Limited (LML) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If LML continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

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Rating Rationale

January 06, 2022 | Mumbai

Lexus Motors Limited

Rating upgraded to 'CRISIL BB-/Stable'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.130 Crore (Enhanced from Rs.30 Crore)
Long Term Rating	CRISIL BB-/Stable (Upgraded from 'CRISIL B+/Stable')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term facilities of Lexus Motors Limited (LML) to '**CRISIL BB-/Stable**' from '**CRISIL B+/Stable**'.

The upgrade reflects an improvement in the liquidity profile with higher cash accruals adequate against debt repayment obligations.

The rating 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

Strengths:

- **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.

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 39-102 days over the three fiscals ended March 31, 2021 driven by moderate debtor and inventory levels. GCAs levels are expected to be maintained in similar lines going forward.
- **Weak financial risk profile:** Gearing was high at 3.45 times and total outside liabilities to adjusted tangible networth ratio at 3.99 times as on March 31, 2021. Debt protection measures were weak with interest coverage and net cash accrual to total debt ratios of 1.58 times and 0.04 time, respectively, for fiscal 2021. Debt measures are expected to remain at similar level over the medium term.

Liquidity: Adequate

Bank limit utilisation was moderate at around 67% for the 12 months ended November 2021. Cash accruals are expected to be adequate against debt repayment obligations over the medium term. Current ratio was healthy at 0.97 time as on March 31, 2021. 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 10 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

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Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	469.60	562.96
Reported profit after tax	Rs crore	1.90	0.17
PAT margin	%	0.40	0.03
Adjusted debt/Adjusted networth	Times	3.45	2.47
Interest coverage	Times	1.58	1.15

Any other information: Not applicable

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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 level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	30.0	NA	CRISIL BB-/Stable
NA	Cash Credit	NA	NA	NA	45.0	NA	CRISIL BB-/Stable
NA	Cash Credit	NA	NA	NA	24.47	NA	CRISIL BB-/Stable
NA	Term Loan	NA	NA	Mar-25	30.53	NA	CRISIL BB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	130.0	CRISIL BB-/Stable		--	21-04-21	CRISIL B+/Stable		--		--	Suspended
			--		--	26-02-21	CRISIL B+/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	30	Indian Bank	CRISIL BB-/Stable
Cash Credit	45	Housing Development Finance Corporation Limited	CRISIL BB-/Stable
Cash Credit	24.47	State Bank of India	CRISIL BB-/Stable
Term Loan	30.53	Housing Development Finance Corporation Limited	CRISIL BB-/Stable

This Annexure has been updated on 06-Jan-2022 in line with the lender-wise facility details as on 06-Jan-2022 received from the rated entity.

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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