

Press Release

Auto Axis Private Limited

November 11, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.50	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	34.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.34.50 crore bank facilities of **Auto Axis Private Limited (AAPL)**. The outlook is '**Stable**'.

Rationale for Rating Re-affirmation

The rating reaffirmation is on account of stable operating performance of the company marked by slight decline in operating income, marginal improvement in operating margin and modest improvement in working capital cycle. The Company's operating income stood at Rs.279.53 Cr in FY2022 as against Rs.285.27 Cr in FY2021. The operating margin improved to 3.32 percent in FY22 as against 2.43 percent in FY21. The gross current days of the company improved to 120 days as on March 31, 2022 as against 133 days as on March 31, 2021. The financial risk profile continues to remain below average marked by modest network, high gearing and modest debt protection metrics.

About the Company

Incorporated in the year 2006, Auto Axis Private Limited (AAPL) is a Assam based company. AAPL is an authorised dealer of light, medium and heavy commercial vehicles of Tata Motors Ltd. (TML). The Company is promoted by Mr. Anil Kumar Himatsingka, Mr. Ravi Kumar Himatsingka, Mrs. Sadhana Himatsingka Mrs. Jaya Himatsingka and RS Estate Private Limited. The company has total three 3S facility and 5 retail sales showrooms in Assam.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Auto Axis Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and long association with Tata Motors Limited

Incorporated in 2006, AAPL is promoted by Mr. Anil Kumar Himatsingka, Mr. Ravi Kumar Himatsingka, Mrs. Sadhana Himatsingka Mrs. Jaya Himatsingka and RS Estate Private Limited. The promoters have approximately more than a decade in the automobile industry. The management is supported by a well-qualified and experienced team of professionals. AAPL has been an authorised dealer for the commercial vehicle segment of Tata Motors Ltd. (TML) for around one and a half decade. The company benefits from its long association with TML, a market leader in the Indian commercial vehicle segment. AAPL's operating income saw a marginal decline in FY22 to Rs. 279.53 Cr. as against Rs. 285.27 Cr. in FY21 primarily due to lower sales during the second wave of covid19. The operating profitability improved to 3.32 percent in FY22 as against 2.43 percent in FY21 mainly due to reduction in dealer discounts given during the year.

Acuité expects that AAPL will continue to benefit from its long association with TML and experienced management.

Weaknesses

- **Below Average Financial Risk Profile**

AAPL has a below average financial risk profile marked by modest net-worth, high gearing and modest debt protection metrics. The net-worth increased to Rs. 12.79 Cr. in FY22 as against Rs. 11.74 Cr. in FY21. The networth increased due to accretion of profits to reserves. The total debt of Rs. 70.61 Cr. as on March 31, 2022 includes long term borrowings of Rs. 7.74 Cr. and short term borrowings of Rs. 62.87 Cr. The company's overall gearing increased to 5.52 times as on March 31, 2022 as against 5.35 times as on March 31, 2021 due to higher utilisation of working capital borrowings as on March 31, 2022. The TOL/TNW improved to 7.54 times as on March 31, 2022 as against 9.22 times as on March 31, 2021 due to decrease in trade payables as a result of faster payment to the supplier. The ICR decreased to 1.42 times in FY22 as against 1.52 times in FY21. The NCA/TD remained at 0.03 times in FY22.

Acuité expects AAPL's financial risk profile to improve over the medium term in absence of any major debt funded capex plan.

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature. The GCA days improved to 120 days as on March 31, 2022 as against 133 days as on March 31, 2021. The GCA days are primarily driven by inventory days and debtor days. The inventory days stood at 40 days as on March 31, 2022 as against 54 days as on March 31, 2021. Around 95 percent of the inventory is sold within 30-35 days of purchase. The debtor days decreased to 53 days as on March 31, 2022 as against 54 days as on March 31, 2021. The average combined bank limit utilisation for the six months period ended October, 2022 ranged between 80-85 percent.

Acuite believes that sustaining and further improvement in working capital cycle over the medium term would be a key monitorable.

- **Stiff competition from other dealers of Tata Motors Limited and other brands**

The company faces stiff competition from other dealers of Tata Motors Limited (TML) as there is an absence of absolute product differentiation. The company also faces competition from other automobile companies such as Mahindra & Mahindra Limited, Ashok Leyland Limited,

Volvo Eicher Commercial Vehicles Limited to name a few.

Rating Sensitivities

- Significant and sustainable improvement in operating income while maintaining the profitability margins and capital structure
- Improvement in working capital cycle and liquidity position

Material covenants

None

Liquidity Position

Stretched

The company generated NCA of Rs. 2.41 Cr. in FY22 and Rs. 1.95 Cr. as against maturing debt obligations of Rs. 1.3 Cr- 2 Cr. Going forward, the net cash accruals are expected to remain in the range of Rs. 2.9-3.2 Cr. in FY23-24 as against maturing debt obligations of Rs. 0.5-1 Cr. The company's GCA days stood at 120 days as on March 31, 2022. The current ratio of the company stood below unity at 0.96 times as on March 31, 2022. The combined fund based working capital facility stood moderately utilised ranging 80-85 percent for the six months period ended October, 2022. The unencumbered cash and bank balance stood at Rs. 11.27 Cr. as on March 31, 2022 (Prov.).

Acuite believes that the liquidity position would be stretched over the medium term on account of moderate cash accruals against repayment obligations.

Outlook: Stable

Acuite believes that the company will maintain a 'stable' outlook over the near to medium term owing to its experienced management and its association with Tata Motors. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while improving profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	279.53	285.27
PAT	Rs. Cr.	1.08	1.13
PAT Margin	(%)	0.39	0.40
Total Debt/Tangible Net Worth	Times	5.52	5.35
PBDIT/Interest	Times	1.42	1.52

Status of non-cooperation with previous CRA (if applicable)

BWR vide its Press Release dated January 21, 2020 has downgraded the rating and has flagged the company as 'Issuer Not Co-operating'

Any other information

Acuite Ratings & Research Limited

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None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Sep 2021	Inventory Funding	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Channel Financing	Short Term	7.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
15 Jun 2020	Proposed Bank Facility	Long Term	0.05	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB- Stable (Reaffirmed)
	Inventory Funding	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Channel Financing	Short Term	6.95	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
28 Jan 2020	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Short Term	12.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE BB- (Issuer not co-operating*)

19 Nov 2018	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Short Term	12.50	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	1.00	ACUITE BB- (Issuer not co-operating*)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
13 Sep 2017	Working Capital Demand Loan	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Short Term	12.50	ACUITE A4 (Issuer not co-operating*)
		Long		ACUITE BB- (Issuer not co-operating*)
	Term Loan	Term	1.00	operating*)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
28 Jun 2016	Term Loan	Long Term	1.00	ACUITE BB- Stable (Reaffirmed)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Working Capital Demand Loan	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Working Capital Demand Loan	Short Term	12.50	ACUITE A4 (Reaffirmed)
11 May 2015	Term Loan	Long Term	2.00	ACUITE BB- Stable (Assigned)
	Inventory Funding	Short Term	4.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Assigned)
	Working Capital Demand Loan	Short Term	1.50	ACUITE A4 (Assigned)
	Inventory Funding	Short Term	3.00	ACUITE A4 (Assigned)
	Working Capital Demand Loan	Short Term	8.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.50	ACUITE BB- Stable Reaffirmed
Tata Motors Finance Limited	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4 Reaffirmed
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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