



Press Release
Auto Axis Private Limited
February 02, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.50	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	27.50	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	18.00	-	ACUITE A4 Assigned
Bank Loan Ratings	7.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	73.00	-	-

Rating Rationale

Acuite has assigned and reaffirmed the long term rating of **Acuite BB- (Read as Acuite Double B Minus)** and the short term rating of **Acuite A 4 (Read as Acuite A Four)** on the Rs 73.00 Cr bank facilities of Auto Axis Private Limited. The outlook is 'Stable'

Rationale for rating

The rating takes into consideration experienced management of the company and their long association with the Tata Motors Limited which is reflected in the growing revenue of the company as recorded in FY2023 which stood at Rs.330.92 Cr against Rs.279.53 Cr in FY2022. The operating profitability however, moderated marginally to 3.02 percent in FY2023 against 3.32 percent in FY2022. In 9MFY2024, company has recorded revenue of Rs.195.22 Cr and expects a moderation in the revenue due to weaker demand in the target market. The financial risk profile continues to remain average with low net worth, high gearing levels and average debt protection metrics. Further, the working capital operations of the company improved due to better inventory turnover and improved collections but still remained moderate as reflected by GCA days of 88 days in FY2023 against 120 days in the previous year.

Going ahead, company's ability to avoid significant deterioration in its financial risk profile, liquidity and working capital operations in view of envisaged moderation in operating performance in the near term will remain a key rating monitorable.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 significant improvement in FY23 to Rs. 330.923 Cr. as against Rs. 279.53 Cr. in FY22 primarily due to healthy demand levels. Further on 9MFY24, the topline for the company stood at Rs.195.22 crore, which were marked lower than the previous year on account of weak demand in the target market. The operating profitability declined marginally to 3.02 percent in FY23 as against 3.32 percent in FY22 mainly due to higher material cost. Acuite expects that AAPL will continue to benefit from its long association with TML and experienced management.

Weaknesses

Average Financial Risk Profile

AAPL has an average financial risk profile marked by low net-worth, high gearing and average debt protection metrics. The net-worth increased to Rs. 13.99 Cr. as on March 31, 2023 as against Rs. 12.79 Cr. as on March 31, 2022. The company's total debt stood at Rs.73.67 Cr. as on March 31, 2023 as against Rs.70.61 Cr. as on March 31, 2022. The total debt of Rs. 73.67 Cr. as on March 31, 2023 includes long term debt of Rs. 15.49 Cr and working capital borrowings of Rs.58.18 Cr. from various banks. The company's overall gearing decreased marginally at 5.27 times as on March 31, 2023 as against 5.52 times as on March 31, 2022. The TOL/TNW improved to 5.85 times as on March 31, 2023 as against 7.54 times as on March 31, 2022 due to decrease in trade payables. Trade payables decreased due to faster payment to supplier. The ICR remained range bound at 1.44 times in FY23 as against 1.42 times in FY22. The NCA/TD stood at 0.04 times in FY2023 against 0.03 times in FY2022. Acuite believes that going forward, the financial risk profile of the company may improve on account of moderated trend expected in revenues and profitability in FY2024.

Moderate Working Capital operations

The company's working capital operations are moderate in nature. The GCA days improved to 88 days as on March 31, 2023 as against 120 days as on March 31, 2022. The GCA days are driven by debtor days and inventory days. The debtor days stood improved at 33 days as on March 31,2023 as against 53 days as on March 31, 2022. The inventory days stood at 28 days as on March 31, 2023 as against 40 days as on March 31, 2022. However, the creditor days declined to 7 days as on March 31,2023 as against 33 days as on March 31, 2022. The average combined bank limit utilisation for the six months period ended December, 2023 ranged near to 95 percent.

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

Highly competitive industry with price controlled by OEMs

The companies in this dealership industry have limited operating and profitability margins as prices are controlled majorly by OEMs, depending on the volumes sold by the dealers. The fate of the companies in the industry is extremely dependent on the performance of the OEMs and their market share in the industry. The Automobile industry is very much cyclical in nature and faces a stiff competition from rivals on pricing and features. Any increases in prices by the OEMs can affect the business performance of the dealers. AAPL currently operates only in a few cities. So, going forward AAPL needs to increase the dealership reach in other cities to increase realizations for the company. Further, the company faces a stiff competition

from the other dealers of same OEM and any other OEMs.

Acuite believes that the margins of AAPL may continue to remain at similar levels going forward due to the nature of the business.

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

Liquidity Position

Stretched

The liquidity of the company remained stretched as marked by lower NCA of Rs. 2.77 Cr. in FY23 against Rs.0.69 Cr debt obligations. Going forward, the net cash accruals are expected to remain in the range of Rs. 1.13-2.53 Cr. in FY23-25 which may be insufficient against maturing debt obligations of Rs.2.37-2.46 Cr during the same period. Further the working capital limit were marked by higher utilizations which stood high at 95% for the last 6 months ending December 2023. The unencumbered cash and bank balance stood at Rs. 14.31 Cr. as on March 31, 2023 as against Rs.11.27 Cr. as on March 31, 2022. The current ratio of the company stood average at 1.07 times as on March 31, 2023 as against 0.96 times as on March 31, 2022. 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 also improving its 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 the business risk profile of the OEM, leading to lower sales and thereafter affecting the financial and business risk profile of the AAPL.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	330.92	279.53
PAT	Rs. Cr.	1.20	1.08
PAT Margin	(%)	0.36	0.39
Total Debt/Tangible Net Worth	Times	5.27	5.52
PBDIT/Interest	Times	1.44	1.42

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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
11 Nov 2022	Inventory Funding	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Channel Financing	Short Term	7.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB- Stable (Reaffirmed)
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)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BB- Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE BB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.50	ACUITE BB- Stable Assigned
Tata Motors Finance Limited	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A4 Reaffirmed
Tata Motors Finance Limited	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A4 Assigned
Axis Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4 Assigned
Aditya Birla Finance Limited	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BB- Stable Assigned

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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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