



Press Release
AUTO AXIS PRIVATE LIMITED
January 15, 2025
Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	48.00	ACUITE B+ Stable Downgraded	-
Bank Loan Ratings	25.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	73.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE B+**' (read as **ACUITE B Plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed its short-term rating of '**ACUITE A4**' (Read as **ACUITE A Four**) on the Rs 73.00 Cr. bank facilities of Auto Axis Private Limited. The outlook is '**Stable**'.

Rationale for downgrade

The rating downgrade considers the deterioration recorded in AAPL's financial risk profile in FY2024, its stretched liquidity position marked by insufficient net cash accruals against repayment obligations and intensive nature of working capital operations that are further leading to continuous strain on the cash flows. However, ratings derive support from the extensive experience of the management in the industry and its long association with Tata Motors Limited.

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

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.

Weaknesses

Deterioration in Financial Risk Profile

The financial risk profile of the company deteriorated primarily on account of higher debt levels in FY2024. The debt-service coverage ratio (DSCR) stood below unity at 0.94 times in FY2024 against 1.26 times in FY2023. Further, the gearing levels of the company deteriorated to 6.19 times as on March 31, 2024 from 5.27 times as on March 31, 2023. The Debt-EBITDA levels increased to 9.11 times in FY2024 from 6.98 times in FY2023. In FY24, the company's revenue declined to Rs. 286.45 Cr. in FY2024, against Rs. 330.92 Cr. in FY2023, Acuite expects that the revenue will further decline in the near term due to overall prevalent market conditions. Furthermore, the company PAT stood at 0.16% in FY2024, compared to 0.36% in FY2023. Further, the financial risk profile is expected to remain below average in the near term.

Working capital Intensive nature of operations:

The working capital operations of the company are intensive in nature with GCA days of 105 days as on March 31, 2024 as compared to 88 days in the previous year. The inventory levels stood at 34 days in FY2024 as compared to 28 days in FY2023. The debtor days stood at 45 days in FY2024 as compared to 33 days in FY2023. The creditor days stood at 1 days in FY2024 as against 7 days in FY2023.

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

- Improvement in the financial risk profile and liquidity position.
- Any further elongations in working capital cycle.

Liquidity Position Stretched

AAPL's liquidity position is stretched. It generated insufficient net cash accruals of Rs.1.94 Cr. in FY2024 as against its maturing debt obligations of Rs.2.37 Cr. during the same period. The cash and bank balances stood at Rs. 14.19 Cr as on March 31, 2024. The current ratio stood below average at 0.91 times as on March 31, 2024. Also, the working capital operations are intensive in nature leading to additional strain on the liquidity position of the company.

Going ahead, the company's ability to improve its liquidity position will remain a key monitorable.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	286.45	330.92
PAT	Rs. Cr.	0.45	1.20
PAT Margin	(%)	0.16	0.36
Total Debt/Tangible Net Worth	Times	6.19	5.27
PBDIT/Interest	Times	1.24	1.44

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
02 Feb 2024	Channel/Dealer/Vendor Financing	Short Term	7.00	ACUITE A4 (Reaffirmed)
	Channel/Dealer/Vendor Financing	Short Term	10.00	ACUITE A4 (Assigned)
	Channel/Dealer/Vendor Financing	Short Term	5.00	ACUITE A4 (Assigned)
	Channel/Dealer/Vendor Financing	Short Term	3.00	ACUITE A4 (Assigned)
	Inventory Funding	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Inventory Funding	Long Term	11.00	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.50	ACUITE BB- Stable (Assigned)
11 Nov 2022	Channel/Dealer/Vendor Financing	Short Term	7.00	ACUITE A4 (Reaffirmed)
	Inventory Funding	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE B+ Stable Downgraded (from ACUITE BB-)
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Axis Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4 Reaffirmed
Aditya Birla Finance Limited	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	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.	17.00	Simple	ACUITE A4 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE B+ Stable Downgraded (from ACUITE BB-)

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About Acuité Ratings & Research

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