Press Release

Reliable Automotive Private Limited

October 30, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating to **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 25.00 crore bank facilities of Reliable Automotive Private Limited (RAPL). The outlook is **'Stable'**.

Reliable Automotive Private Limited (RAPL) is a Mumbai based company incorporated in the year 1997 by Mr. Kamalsingh Ailsinghani and Mr. Tejpal Ailsinghani. The company is authorised dealer of Tata Motors Limited (TML) for commercial vehicles. It has one 2S facility located in Nerul and 3S facility at Bhiwandi and Vasai. The company also has around 11 sales outlets (Booking counter with no display vehicles) all over Mumbai and Maharashtra. The company is also engaged in trading of cement and tyres which contributes nearly 5 percent to the total sales.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RAPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long association with Tata Motors Limited**
  Incorporated in 1997 the company has an operational track record of more than two decades in the business. The also company benefits from the extensive experience of its promoters, Mr. Bhagatsingh Ailsinghani, Mr. Kamalsingh Ailsinghani and Mr. Tejpal Ailsinghani who possess more than 25 years of experience. Going forward, Acuité expects the business risk profile of the company to strengthen backed by its association with TML and experienced management. RAPL is an authorised dealer for the commercial vehicle segment of Tata Motors Limited (TML) for more than two decades. The company benefits from its long association with TML, a market leader in the Indian commercial vehicle segment.

- **Healthy scale of operations**

  The company has healthy scale of operations with revenue of Rs. 881.83 crore in FY 19 (Provisional) as compared to Rs 682.09 crore in the previous year. Further, the company has reported revenue of Rs 366.48 crore for 6 months ended FY 20. Acuité believes that the scale of operations is likely to marginally deteriorate in FY 20 due to distress in the auto segment in the recent past.

- **Comfortable working capital cycle**
  The company's working capital stood well managed marked by GCA days of 62 days in FY 19 (Provisional) in line with 67 days in FY 18. The inventory days stood at 30 days in FY 19 (Provisional) as against 33 days in the previous year. The debtor days stood comfortable at 20 days in FY 19 (Provisional) as against 16 days in FY 18 because of fast realization from its customers. Further, the bank limit has been utilized at 78% of its working capital facilities.

Weaknesses

- **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 also other automobile companies such as Mahindra & Mahindra, Ashok Leyland and VECV-Eicher. The launching of new models at competitive prices is further expected to eat into the market share of TML which in turn can affect dealers including RAPL.

- **Marginal deterioration financial risk profile**
  The financial risk profile of the company is moderate marked by moderate net worth, aggressive gearing and deterioration in debt protection metrics. The tangible net worth stood moderate at Rs 30.50 crore as on 31st March, 2019 (Provisional) as against Rs 23.03 crore in the previous year. The increase in net worth is on account of retention of profits to reserves. The debt-equity (gearing) stood at 2.54 times as on 31st March, 2019 (Provisional) as against 2.94 times as on 31st March, 2018. The interest coverage ratio deteriorated to 1.86 times in FY 19 (Provisional) as against 2.63 times in FY 18. Further, the debt service coverage ratio (DSCR) deteriorated to 1.6 times in FY 19 (Provisional) as against 2.16 times in FY 18. The net cash accruals against total debt (NCA/TD) stood at 0.07 times in FY 19 (Provisional) in line with 0.09 times in FY 18 on account of increase in short term debt utilization as on 31st March, 2019. Going forward, Acuité expects marginal deterioration in the financial risk profile considering the recent dip in the auto segment.

Rating Sensitivity
- Substantial growth in profitability
- Improvement in financial risk profile

Material Covenants
None

Liquidity Profile
The company has adequate liquidity marked by moderate cash accruals. The company has generated cash accruals of Rs 5.23 crores in FY 19 (Provisional) which is expected to remain at the same level over the medium term on account of. The bank limit of the company remains utilized at nearly 78% during the twelve months ended August, 19. RAPL maintains unencumbered cash and bank balances of Rs 1.35 crore as on 31st March, 2019 (Provisional). The current ratio of the company stands low at 1.18 times as on 31st March, 2019 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of cash accruals generated in the same period.

Outlook: Stable
Acuité believes that RAPL's outlook will remain 'Stable' over the medium term from its experienced management, long association with Tata Motors Limited. The outlook maybe revised to 'Positive' in case of higher than expected growth in revenues and profitability improving its financial risk profile. The outlook maybe revised to 'Negative' in case of steep decline in revenues and profitability or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	881.83	682.09	631.40
EBITDA	Rs. Cr.	16.13	13.65	10.04
PAT	Rs. Cr.	4.24	4.98	3.70
EBITDA Margin	(%)	1.83	2.00	1.59
PAT Margin	(%)	0.48	0.73	0.59
ROCE	(%)	15.33	15.97	26.48
Total Debt/Tangible Net Worth	Times	2.54	2.94	2.74
PBDIT/Interest	Times	1.74	2.43	2.61
Total Debt/PBDIT	Times	4.79	4.95	4.90
Gross Current Assets (Days)	Days	62	67	46

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Not Applicable

Applicable Criteria
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities- https://www.acuite.in/view-rating-criteria-4.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (in Rs Crores)	Ratings/ Outlook
29-May-2019	Channel/Dealer/Vend or Financing	Long Term	25.00	ACUITE BBB- (Issuer not co-operating)
26-Mar-2018	Inventory Funding	Long Term	25.00	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Channel/Dealer/ Vend or Financing	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.