

Press Release

Reliable Automotive Private Limited

August 24, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.50	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	76.50	ACUITE BBB- Positive Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.76.50 crore bank facilities and assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 23.50 Cr bank facilities of Reliable Automotive Private Limited (RAPL). The outlook is '**Positive.**'

Rationale for Rating Reaffirmation:

The rating reaffirmation is on account of stable operating performance of the company marked by increase in operating income and improvement in working capital cycle. The improvement in operating income is mainly on account of higher realisations, as sale volumes are yet to reach pre-covid levels. The revenue improved to Rs. 1188.43 Cr. in FY22(Prov.) as against Rs. 629.45 Cr. in FY21 and Rs. 889.65 Cr in FY20. The gross current days of the company improved to 57 days as on March 31, 2022 (Prov.) as against 111 days as on March 31, 2021. The financial risk profile continues to remain moderate marked by moderate network, moderate gearing coupled with comfortable debt protection metrics.

About the Company

Incorporated in the year 1997, Reliable Automotive Private Limited (RAPL) is a Mumbai based company. RAPL is an authorised dealer of commercial vehicles of Tata Motors Ltd. (TML). The Company is promoted by Mr. Bhagat Ailsinghani, Mr. Kamalsingh Ailsinghani and Mr. Tejpal Ailsinghani. It has one 2S facility located in Nerul and one 3S facility each at Bhiwandi and Vasai. The company has around ~11 sales outlets (booking counter with no display vehicles) all over Maharashtra.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RAPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and long association with Tata Motors Limited**

Incorporated in 1997, RAPL is promoted by Mr. Bhagatsingh Ailsinghani, Mr. Kamalsingh Ailsinghani and Mr. Tejpal Ailsinghani. All three promoters are involved in day to day operations of the business. The promoters have more than two decades of experience in the industry. The management is supported by a well-qualified and experienced team of professionals.

RAPL has been an authorised dealer for the commercial vehicle segment of Tata Motors Ltd. (TML) for more than two decades. The company benefits from its long association with TML, a market leader in the Indian commercial vehicle segment. RAPL's operating income grew to Rs. 1188.43 Cr. in FY22(Prov.) as against Rs. 629.45 Cr. in FY21 and Rs. XXX Cr in FY2020, driven by higher realisations. The operating profitability stood at 2.45 percent in FY22(Prov.) as against 1.53 percent in FY21.

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

- **Moderate Financial Risk Profile**

RAPL has a moderate financial risk profile marked by modest networth, moderate gearing and comfortable debt protection metrics. The networth increased to Rs. 58.46 Cr. in FY22(Prov.) as against Rs. 44.29 Cr. in FY21. The networth increased due to accretion of profits to reserves. The total debt of Rs. 140.89 Cr. as on March 31, 2022(Prov.) includes short term borrowings of Rs. 136.63 Cr. and unsecured loans from the directors and their relatives of Rs. 4.26 Cr.. The company's overall gearing stood at 2.41 times as on March 31, 2022(Prov.) as against 2.33 times as on March 31, 2021. The TOL/TNW stood at 2.71 times as on March 31, 2022(Prov.) as against 3.88 times as on March 31, 2021. The ICR stood at 3.62 times in FY22(Prov.) as against 3.81 times in FY21. The NCA/TD increased to 0.12 times in FY22(Prov.) as against 0.08 times in FY21.

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

Weaknesses

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature. The GCA days improved to 57 days as on March 31, 2022(Prov.) as against 111 days as on March 31, 2021. The GCA days are primarily driven by inventory days. The inventory days stood at 33 days as on March 31, 2022(Prov.) as against 59 days as on March 31, 2021. The debtor days decreased to 1 day as on March 31, 2022(Prov.) as against 18 days as on March 31, 2021. The average bank limit utilisation for the six months ended July, 2022 ranged between 70-80 percent.

Acuité believes sustaining the 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 Ltd. as there is an absence of absolute product differentiation. The company also faces competition from other automobile companies such as Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Volvo Eicher Commercial Vehicles Ltd. to name a few operating in Mumbai.

Rating Sensitivities

> Significant and sustainable improvement in operating income while maintaining the

profitability margins and capital structure.
> Sustenance of improvement in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company generated NCA of Rs. 16.94 Cr. in FY22(Prov.) as against negligible maturing debt obligations. Going forward, the net cash accruals are expected to remain in the range of Rs. 18-22 Cr. in FY23-24 as against no maturing debt obligations. The company's GCA days stood at 57 days as on March 31, 2022(Prov.). The current ratio of the company stood at 1.19 times as on March 31, 2022(Prov.). The fund based working capital facility stood moderately utilised ranging 70-80 percent for the six months period ended July, 2022. The unencumbered cash and bank balance stood at Rs. 38.93 Cr. as on March 31, 2022(Prov.). Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals against repayment obligations and improved working capital cycle.

Outlook: Positive

Acuite believes that RAPL would continue to benefit from improved demand recovery sentiment for the commercial vehicle segment. This would be supported by experienced management and long association with Tata Motors Ltd.-India's market leader and largest commercial vehicle players. The rating may be upgraded if there is a sustainable growth, in term of both volume and realisations, in the scale of operations along with improvement in profit margins while maintaining the capital structure. Conversely, the outlook may be revised to 'Stable' in case of lower than expected revenue recovery and margin or a deterioration in financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1188.43	629.45
PAT	Rs. Cr.	15.13	7.14
PAT Margin	(%)	1.27	1.13
Total Debt/Tangible Net Worth	Times	2.41	2.33
PBDIT/Interest	Times	3.62	3.81

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

CRISIL vide press release dated July 19, 2021 has mentioned RAPL's rating as 'B+/Stable Issuer Not Cooperating' as on July 19, 2021.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Oct 2021	Channel Financing	Long Term	17.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	4.05	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	19.50	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	20.00	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	0.95	ACUITE BBB- Positive (Reaffirmed)
21 Jul 2020	Channel Financing	Long Term	17.00	ACUITE BBB- Stable (Assigned)
	Channel Financing	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Channel Financing	Long Term	19.50	ACUITE BBB- Stable (Reaffirmed)
	Channel Financing	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Channel Financing	Long Term	0.95	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.05	ACUITE BBB- Stable (Assigned)
30 Oct 2019	Channel Financing	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
29 May 2019	Channel 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.05	ACUITE BBB- Positive Reaffirmed
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE BBB- Positive Reaffirmed
Bank of Baroda	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Positive Reaffirmed
ICICI Bank Ltd	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Positive Assigned
Standard Chartered Bank	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Positive Assigned
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE BBB- Positive Reaffirmed
Tata Motors Finance Limited	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB- Positive Reaffirmed
HDFC Bank Ltd	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB- Positive Reaffirmed
Tata Motors Finance Limited	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB- Positive 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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