



Press Release
Reliable Automotive Private Limited
November 20, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Reaffirmed Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.100.00 crore bank facilities of Reliable Automotive Private Limited (RAPL). The outlook has been revised from 'Positive' to '**Stable**'.

Reason for reaffirmation and revision in outlook

The revision in outlook takes into consideration the stable operating and financial performance of RAPL. The revenue of the company stood at Rs.1183.75 crore in FY23 compared to revenue of Rs.1206.35 crore in FY22. The revenue of the company stood at ~Rs.613 crores for H1FY24. The operating profit margin of the company declined slightly and stood at 1.09 percent in FY23 compared against 1.70 percent in FY22 due to additional expenses incurred for the new dealership with Maruti Suzuki from FY23 onwards. The rating reaffirmation takes into account the experienced management along with the moderate financial risk profile and the adequate liquidity position of the company.

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) and Maruti Suzuki India Limited. The current directors of the company are Mr. Bhagatsingh Ailsinghani and Mr. Tejpal Ailsinghani.

Unsupported Rating

Not Applicable

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 currently managed by Mr. Bhagatsingh Ailsinghani and Mr. Tejpal Ailsinghani. All the 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 has also started the dealership of Maruti Suzuki from FY23. Acuité expects that RAPL will continue to benefit from experienced management and the dealership with Tata Motors Limited and Maruti Suzuki.

Moderate Financial risk profile

The company has a moderate financial risk profile marked by tangible net worth of Rs.66.82 crore as on 31 March 2023 as against Rs.58.05 crore as on 31 March 2022. The gearing level of the company stood high at 2.55 times as on 31 March 2023 as against 2.43 times as on 31 March 2022. The total debt of the company stood at Rs.170.19 crore which consists of unsecured loans of Rs. 4.71 crore and short-term debt of Rs.165.49 crore as on 31 March 2023. The company does not have any long-term loans. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 3.34 times for FY23 against 3.57 times for FY22. The Debt Service Coverage Ratio (DSCR) stood at 2.90 times for FY23 against 2.94 times for FY22. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.05 times for FY23 as against 3.47 times in FY22. Acuité believes that the financial risk profile of the company will continue to remain moderate in medium term.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 72 days as on March 31, 2023, as against 68 days as on March 31, 2022. The inventory levels stood at 38 days for FY23 compared against 32 days for FY22. Average inventory holding period for the raw materials is around 30-35 days. The company stocks up the samples of vehicles in the showroom. The debtor days stood at 26 days for FY23 against 16 days for FY22. The debtors days were high for FY23 as some of the vehicles were sold in March 2023 however the payments for the same were received in April 2023. The average credit period allowed to the customers is around 15-20 days. The creditor days of the company stood at 4 days for FY23 as against 2 days for FY22. The average utilization of the bank limits of the company is high at ~85 percent in last six months ended July'23. Acuite believes that 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.

Any deterioration in the financial risk profile.

Sustenance of improvement in working capital cycle.

All Covenants

Not Applicable

Liquidity position: Adequate

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.12.30 crore in FY23 compared against nil maturing debt obligations. The cash accruals of the company are estimated to remain in the range of Rs.13.43-15.61 crore during 2024-25 period against nil maturing debt obligations during the same period. The average utilization of the bank limits of the company is utilized ~85 percent in last six months ended July'23. The company maintains unencumbered cash and bank balances of Rs.4.07 crore as on March 31, 2023. The current ratio stood moderate at 1.18 times as on March 31, 2023. Acuite believes that the liquidity position would be adequate over the medium term.

Outlook: Stable

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1183.75	1206.35
PAT	Rs. Cr.	8.64	13.77
PAT Margin	(%)	0.73	1.14
Total Debt/Tangible Net Worth	Times	2.55	2.43
PBDIT/Interest	Times	3.34	3.57

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>
- 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

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
24 Aug 2022	Channel Financing	Long Term	0.95	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	17.00	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	10.00	ACUITE BBB- Positive (Assigned)
	Channel Financing	Long Term	3.50	ACUITE BBB- Positive (Assigned)
	Cash Credit	Long Term	4.05	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	20.00	ACUITE BBB- Positive (Reaffirmed)
	Channel Financing	Long Term	10.00	ACUITE BBB- Positive (Assigned)
	Channel Financing	Long Term	19.50	ACUITE BBB- Positive (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.05	ACUITE BBB- Stable Reaffirmed Positive to Stable
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	0.95	ACUITE BBB- Stable Reaffirmed Positive to Stable
Bank of Baroda	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Reaffirmed Positive to Stable
ICICI Bank Ltd	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed Positive to Stable
Standard Chartered Bank	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed Positive to Stable
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	19.50	ACUITE BBB- Stable Reaffirmed Positive to Stable
Tata Motors Finance Limited	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	20.50	ACUITE BBB- Stable Reaffirmed Positive to Stable
HDFC Bank Ltd	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB- Stable Reaffirmed Positive to Stable

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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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