

Press Release

Ujjwal Autowheels Private Limited

October 22, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs.12.00 crore bank facilities of Ujjwal Autowheels Private Limited (UAPL). The outlook is '**Stable**'.

The rating reaffirmation draws comfort on account of a long track record of operations, improvement in revenues in FY2020 (Provisional) and moderate working capital operations. The rating, however, continues to remain constrained at the same level on account of average financial risk profile and the impact on operations in FY2021 due to global outbreak of COVID-19.

About the Company

Nashik-based, UAPL was incorporated in 2006 by Mr. Minal Choudhary. The company is an Authorized Dealer for Hyundai Motors India Limited. The company also deals in spares and servicing facilities. The company owns 2 service centers and 1 showroom at Nashik, Maharashtra.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of UAPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

UAPL is promoted by Mr. Minal Choudhary, who has over four decades of experience in the vehicles-dealership business. Before the incorporation of UAPL, Mr. Choudhary was managing Ujjwal Agencies which is a partnership firm established in 1974 and is an authorized dealer of Forge Motors.

Acuité believes that the company will continue to benefit from its experienced management and established relations with its principal over the medium term.

Weaknesses

- **Average financial risk profile**

UAPL's financial risk profile is average marked by high gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. The gearing stood at 3.39 times as on 31st March, 2020 (Provisional) against 5.14 times as on 31st March, 2019. TOL/TNW also stood high at 3.85 times as on 31st March, 2020 (Provisional) against 7.33 times as on 31st March, 2019. Tangible net worth of the company stood modest at Rs.3.87 Cr as on 31st March, 2020 (Provisional) against Rs.2.72 Cr as on 31st March, 2019. Of the total debt of Rs.13.14 Cr as on 31st March, 2020 (Provisional), short-term debt stood at Rs.12.23 Cr and unsecured loans stood at Rs.0.91 Cr. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 2.17 times and 0.11 times respectively in FY2020 (Provisional). DSCR improved and stood at 2.04 times in FY2020 (Provisional). Acuité believes that the financial risk profile of the company is expected to remain average on account of modest net worth coupled with moderate net cash accruals against moderate debt repayment obligations and moderate debt protection metrics.

- **Highly fragmented and competitive nature of industry**

The company is exposed to intense competition from other automobile companies such as Maruti, Honda, Tata Motors, Toyota, to name a few. Besides the launch of new models at competitive prices eats into the market share of Hyundai, which in turn affects dealers, including UAFL.

Rating Sensitivities

- Any deterioration of its financial risk profile and liquidity.
- Growth in revenue with the sustainability of the profitability margins.

Material Covenants

None

Liquidity: Adequate

UAFL has adequate liquidity as reflected by adequate net cash accruals of Rs.1.42 Cr in FY2020 (Provisional) against nil repayment obligations. It is expected to generate cash accruals in the range of Rs.0.83 Cr- Rs.1.94 Cr over the medium term, against moderate repayment obligations. The working capital limits are utilized at ~70-80 percent over the last six months ended in September, 2020. Acuité believes that liquidity profile is expected to remain adequate on account of moderate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that UAFL will maintain a stable outlook over the medium term owing to its experienced management and long-standing presence in the industry. The outlook may be revised to 'Positive' in case of substantial growth in scale of operations while maintaining its profit margins. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenues, profitability or deterioration in the financial risk profile and deterioration in working capital.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	100.83	88.06
PAT	Rs. Cr.	1.16	(3.22)
PAT Margin	(%)	1.15	(3.65)
Total Debt/Tangible Net Worth	Times	3.39	5.14
PBDIT/Interest	Times	2.17	(1.13)

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Jul-2019	Cash Credit	Long Term	10.00	ACUITE BB+/ Stable (Downgraded)
	Channel Financing	Long Term	2.00	ACUITE BB+/ Stable (Downgraded)
28-Jun-2019	Cash Credit	Long Term	12.00	ACUITE BBB- (Indicative)
25-Apr-2018	Cash Credit	Long Term	12.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+/ Stable (Reaffirmed)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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