

## Press Release

Tanya Automobile Private Limited

September 12, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 16.00 crore bank facilities of Tanya Automobile Private Limited (TAPL). The outlook is '**Stable**'.

Tanya Automobile Private Limited (TAPL) based at Meerut (Uttar Pradesh) was incorporated in 1995. The company is authorised dealer for Passenger Cars of Maruti Suzuki India Limited (MSIL). It also runs service center, training school and supply parts for MSIL. The operations are managed by Mr. Garg and family with two owned showrooms and service centers in Meerut.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles TAPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and established track record**

The company has presence in automobile dealership business of MSIL since 1995 and has established its market in Meerut. TAPL Directors, Mr. Harsh Garg and Smt. Shalu Garg are in business since inception and have experience of more than two decades in the same line of business. The promoters experience in same line of business has helped to divert their revenue streams by adding motor training school for MSIL.

- **Moderate financial risk profile**

The financial risk profile is marked by modest debt protection measures and moderate net worth base. The net worth stood at Rs.9.65 crore in FY2018 (Provisional) and Rs.9.33 crore in FY2017. The unsecured loan of Rs.2.20 crore is from promoters which has been treated as quasi equity. The gearing ratio stood at 1.53 times in FY2018 (Provisional) which has improved from 1.82 times in FY2017. The interest coverage ratio stood same at 1.26 times in FY2018 (Provisional) and FY2017. The TOL/TNW stood at 1.66 times in FY2018 (Provisional) and 2.00 times in FY2017. Debt Service Coverage Ratio (DSCR) stood low at 0.89 times in FY2018 (Provisional) and 0.85 times in FY2017.

#### Weaknesses

- **Thin profitability margins**

TAPL's operating margins stood modest at 4.91 percent in FY2018 (Provisional) and 4.85 percent in FY2017 on account of its trading nature of business. The PAT margins remain thin at 0.50 percent in FY2018 (Provisional) and 0.35 percent in FY2017.

- **Moderate working capital cycle**

The working capital cycle stood moderate on account of modest GCA (Gross Current Asset) days of 140 in FY2018 (Provisional) and 162 days in FY2017. The moderate GCA is marked by high inventory holding days of 94 in FY2018 (Provisional) and 116 days in FY2017. The bank limit utilisation in last six month ended July 2018 stood at 95.35 percent.

#### • Competitive and fragmented industry

TAPL faces competition from other automobile dealers such as Hyundai, Toyota, Ford, Honda and Skoda among others. Furthermore, the sales as well as purchase prices are determined by MSIL resulting in margin pressure which may negatively impacts the earning capacity of MSIL. However, MSIL being market leader in passenger car segment in India with more than 50.00 percent market share mitigates demand risk for their products to certain extent.

#### Outlook: Stable

Acuite believes that TAPL will maintain a 'Stable' outlook over the medium term owing to the extensive experience of the promoter in the business and established association with MSIL. The outlook may be revised to 'Positive' in case of increase in the scale of operations, improvement in profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in financial risk profile.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	63.14	59.04	55.86
EBITDA	Rs. Cr.	3.10	2.86	2.65
PAT	Rs. Cr.	0.32	0.21	0.18
EBITDA Margin	(%)	4.91	4.85	4.75
PAT Margin	(%)	0.50	0.35	0.33
ROCE	(%)	11.28	9.59	8.60
Total Debt/Tangible Net Worth	Times	1.53	1.82	1.97
PBDIT/Interest	Times	1.26	1.26	1.30
Total Debt/PBDIT	Times	4.76	5.92	6.78
Gross Current Assets (Days)	Days	140	162	179

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

Not Applicable

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*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	15.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BB / Stable

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### About Acuité Ratings & Research:

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