

Press Release

Tanya Automobile Private Limited

June 24, 2019



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr. (Enhanced from Rs. 16.00 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

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

Further, Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 1.00 crore bank facilities of TAPL. The outlook is '**Stable**'.

The Meerut-based, TAPL was incorporated by Garg family in 1995. The company is authorized car dealer for Maruti Suzuki and has two own showrooms. It also runs service center, training school for Maruti Suzuki.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by Mr. Harsh Garg and Mrs. Shalu Garg having over two decades of experience in the automobile industry. This has helped the company to develop healthy relationship with its customers. Acuité believes TAPL will sustain its existing business risk profile on the back of experienced management.

• Association with Maruti Suzuki India Limited (MSIL)

The company is an authorized dealer for passenger vehicle segment of Maruti Suzuki India Limited (MSIL). The company benefits from its association with Maruti Suzuki India Limited since 1995 which is market leader in the India passenger vehicle segment with around 51.22 percent market share during FY2019 as against 49.97 percent in the previous year. The growth in revenues of TAPL was supported by strong demand for new Wagon R, Celerio and Ertiga along with the company's aggressive marketing strategy.

• Moderate working capital cycle

The working capital cycle of TAPL is moderate marked by GCA days of 112 days in FY2019 (Provisional) despite of improvement from 139 days in FY2018. This is majorly on account of high inventory holding period of 73 days in FY2019 (Provisional) as against 88 days in FY2018. However, the collection period stands at 14 days in FY2019 (Provisional) from 19 days in FY2018. The average bank limit utilization stood at 96% per cent for the average of last one year ended March 2019.

Weaknesses

• Average financial risk profile

TAPL has average financial risk profile marked by tangible net worth of Rs.10.35 crore as on 31 March, 2019 (Provisional). This includes unsecured loan of Rs.2.20 crore as on 31 March, 2019 (Provisional) which is considered as quasi equity. The adjusted gearing stood at 1.55 times as on 31 March, 2019 (Provisional). The debt of Rs.16.02 crore as on 31 March, 2019 (Provisional), consists of working capital borrowings of Rs.15.03 crore and term loans of Rs.0.99 crore. The debt protection metrics are average marked by Interest Coverage Ratio (ICR) of 1.42 times in FY2019 (Provisional) as against 130 times in

FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.69 times as on 31 March, 2019 (Provisional) as compared to 1.64 times as on 31 March, 2018. Net cash Accruals/Total Debt stands at 0.06 times in FY2019 (Provisional) as against 0.04 times in FY2018. Acuité believes that the company to maintain its financial risk profile over medium term in absence of significant debt-funded capital expenditure plan.

• Exposure to intense competition

The company faces intense competition from other dealers of MSIL and established players in this segment such as Tata Motors, Hyundai, Mahindra and Mahindra, Ford and Honda among others operating in Madhya Pradesh.

Liquidity Position

TAPL has adequate liquidity marked by net cash accruals of Rs. 0.90 crore in FY2019 (provisional) against no maturing debt obligations. The cash accruals of TAPL are estimated to remain around Rs.1.15 crore to Rs.1.28 crore during 2020-22. The working capital operations are moderately managed as marked by gross current asset (GCA) days of 112 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.1.46 crore as on March 31, 2019 (Provisional). The current ratio of the company stands healthy at 1.63 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the TAPL is likely to remain adequate over the medium term on account of healthy cash accrual and no repayments over the medium term.

Outlook: Stable

Acuité believes that TAPL will maintain a 'Stable' business risk profile over the medium term based on its experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in the scale of operations while improvement in profit margins. Conversely the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst competition or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	87.39	62.88	59.04
EBITDA	Rs. Cr.	3.72	2.91	2.86
PAT	Rs. Cr.	0.72	0.31	0.21
EBITDA Margin	(%)	4.25	4.62	4.85
PAT Margin	(%)	0.82	0.49	0.35
ROCE	(%)	13.85	10.48	9.59
Total Debt/Tangible Net Worth	Times	1.55	1.53	1.82
PBDIT/Interest	Times	1.42	1.30	1.26
Total Debt/PBDIT	Times	4.31	5.07	5.92
Gross Current Assets (Days)	Days	112	139	162

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

None

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Sep-2018	Proposed Bank Facility	Long Term	INR 0.79	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	INR 0.21	ACUITE BB / Stable (Assigned)
	Cash Credit	Long Term	INR 15	ACUITE BB / 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	12.00	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB / Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BB / Stable (Reaffirmed)
Overdraft against Tangible Security	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Reaffirmed)
Overdraft against Immovable Property	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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