

Press Release

Tanya Automobile Private Limited

August 01, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB/ Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.17.00 crore bank facilities of Tanya Automobiles Private Limited (TAPL). The outlook is '**Stable**'.

The upgrade is in view of growth in revenues on quarter-on-quarter basis, improvement in PAT margins and working capital management. The revenues registered by the TAPL are Rs.28.29 crore in Q1FY2020 (Provisional) as compared Rs.16.67 crore in Q1FY2019 (Provisional), marked a growth of ~70% in Q1FY2020.

Acuite believes that the company will sustain its existing business profile over medium term.

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

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

Key Rating Drivers

Strengths

• Experienced Management and improving business risk profile

The company is promoted by Mr. Harsh Garg and Mrs. Shalu Garg who have over two decades of experience in the automobile industry. This has helped the company to develop healthy relationship with its customers.

The operating income of TAPL has been experiencing upward trend on quarter-on-quarter basis. The revenues of the company improved to Rs.28.29 crore in Q1FY2020 (Provisional) as compared Rs.16.67 crore in Q1FY2019 (Provisional). The increasing purchasing power among the people of nearby areas as well as low competition have led the growth in operating income of the company. Moreover, the profitability of the TAPL has also improved; marked by PAT margin of 0.82 per cent in FY2019 (Provisional) as against 0.49 per cent in FY2018. The margins have improved on account of increase in sale of spares and accessories as well as workshop income.

Acuite 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.

Weaknesses

• Moderate financial risk profile

TAPL has moderate 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 moderate marked by Interest Coverage Ratio (ICR) of 1.42 times in FY2019 (Provisional) as against 1.30 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.

Acuite believes that the company to maintain its financial risk profile over medium term in absence of significant debt-funded capital expenditure plan.

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 FY2020-22. The working capital operations are moderately managed as marked by gross current asset (GCA) days of 112 in FY2019 (Provisional). The average bank limit utilization stood at ~96 per cent for the average of last year ended March 2019. 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). Acuite 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

Acuite 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 maintaining its profitability. 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/view-rating-criteria-17.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
24-Jun-2019	Cash Credit	Long Term	12.00	ACUITE BB / Stable (Reaffirmed)
	Overdraft against Tangible Security (ODTS)	Long Term	3.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.79	ACUITE BB / Stable (Reaffirmed)
	Overdraft against Tangible Security (ODIP)	Long Term	1.00	ACUITE BB / Stable (Assigned)
12-Sep-2018	Proposed Bank Facility	Long Term	0.79	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.21	ACUITE BB / Stable (Assigned)
	Cash Credit	Long Term	15.00	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 (Upgraded from ACUITE BB/ Stable)
Overdraft against Tangible Security	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/ Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BB+ / Stable (Upgraded from ACUITE BB/ Stable)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BB+ / Stable (Upgraded from ACUITE BB/ Stable)
Overdraft against Immovable Property	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/ Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Simranjeet Kaur Analyst - Rating Operations Tel: 02249294034 Simranjeet.Kaur@acuiteinratings.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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