

Press Release

Regent Garage Private Limited

September 23, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+/ Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 12.00 crore bank facilities of REGENT GARAGE PRIVATE LIMITED. The outlook is **'Stable'**.

New Delhi-based, Regent Garage Private Limited (RGPL) was incorporated in 2002 by Mr. Raghav Chandra. Since 2008, the company is an authorized dealer for car brand 'Audi'. The company currently owns one showroom in South Delhi and two workshops (rented) for services.

Analytical Approach

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

Key Rating Drivers

Strengths

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

The company was incorporated in 2008 and is engaged in dealership of 'Audi' cars in South Delhi Region. The company is promoted by Mr. Raghav Chandra, who has experience of more than two decades in the automobile dealership business. The company currently owns one showroom in South Delhi and two workshops (rented) for services. Acuite believes that the company will continue to benefit from its established position in Delhi Region and established brand position of 'Audi'.

- **Comfortable working capital cycle**

RGPL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 123 days estimated as on March 31, 2019. The company maintains comfortable working capital cycle as the same stood at 86 days for FY2019 as against 90 days in the previous year. This is on account of low inventory maintained by the company. The liquidity position of the company is comfortable as the average working capital limit utilization stood at around 85 percent for the last nine months ended July 2019.

Weaknesses

- **Average financial risk profile**

RGPL'S financial risk profile is average, marked by a modest tangible net worth, high gearing (debt-to-equity), and modest debt protection measures.

RGPL's tangible net worth has remained modest at around Rs.25.41 crore as on March 31, 2019. The net worth levels have remained modest due to modest scale of operations and low operating margins, which has resulted in limited accretion to reserves over the last three years through FY 2019. The company has followed an aggressive financial policy in the past; the same is reflected through its peak gearing levels of 6.70 times as on March 31, 2017. However, the leverage levels have marginally improved to around 4.29 times as on March 31, 2019. The revenues of the company increased by around 9.30 per cent to Rs.226.48 crore during 2018-19, while its operating margins remained stable in the range of 5-6 per cent. The low profitability coupled with high gearing level has led to below average debt protection measures. The coverage indicators stood moderate marked by interest coverage ratio of 1.69 times for FY2019 against 1.43 times in the previous year. Further, the total outside liabilities to tangible net worth stood at 5.42 times as on 31 March, 2019 (PY: 6.16 times). Acuite believes that the financial risk profile of the company will remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

• Slowdown in the automobile industry

Currently, there is a slowdown in the automobile industry and most of the companies in the industry are struggling to sustain their revenues.

Furthermore, the industry competition is also with other automobile companies such as BMW, Mercedes Benz, Jaguar, Volvo among others, launching new models with better features results into eating the market share of Audi, which in turn also affects its dealers including RGPL.

Liquidity position

The company has stretched liquidity marked by moderate net cash accruals to its debt maturity obligations. The company generated cash accruals of Rs.6.50 crore during FY2019 against no significant debt maturity obligation for the same period. The cash accruals of the company are estimated to increase from Rs.8.30 crore in FY2020 to Rs.13.32 crore in FY2022, while the debt maturity obligation for the same period would be Rs.3.50 crore each year. The company maintains cash and bank balances of Rs.0.35 crore as on March 31, 2019. The current ratio of the company at 0.77 times as on March 31, 2019. This is on account of large amount of short term debt availed by the company in against to its current assets. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of adequate net cash accrual to its maturing debt obligation.

Outlook: Stable

Acuite believes that the RGPL will continue to benefit over the medium term on account of the extensive experience of the promoters in the automobile dealership industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profitability while effectively managing its operating cycle. Conversely, the outlook may be revised to negative if there is steep decline in company's revenues and/or profitability or deterioration in company's financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	226.48	207.21	184.40
EBITDA	Rs. Cr.	13.14	10.43	5.79
PAT	Rs. Cr.	3.91	1.37	(3.65)
EBITDA Margin	(%)	5.80	5.03	3.14
PAT Margin	(%)	1.73	0.66	(1.98)
ROCE	(%)	11.19	8.70	9.58
Total Debt/Tangible Net Worth	Times	4.29	5.32	6.70
PBDIT/Interest	Times	1.69	1.43	0.90
Total Debt/PBDIT	Times	6.14	7.98	12.74
Gross Current Assets (Days)	Days	123	124	144

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+/Stable (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE BB+/Stable (Assigned)
Inventory funding I	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Assigned)
Inventory funding II	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.09	ACUITE BB+/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731314 aditya.singh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

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