

Press Release

Regent Garage Private Limited

October 14, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **"ACUITE BB" (read as ACUITE double B)** from **"ACUITE BB-"(read as ACUITE double B minus)** on the Rs. 65.00 crore bank facilities of REGENT GARAGE PRIVATE LIMITED (RGPL). The outlook is **'Stable'**.

Rationale for Rating Upgrade

The rating upgrade is on account of improvement in the operating performance of the company in FY22 and YTD performance. Further the company's track record of operations and experienced management is further a favourable factor. The aforesaid factors are underpinned by slightly high working capital cycle and the inherent cyclicity in the automobile industry.

About the Company

Regent Garage Private Limited (RGPL) was established on 27th August 2002 with Registrar of Companies, NCT of Delhi and Haryana with main objects to carry on the business of Dealers, Distributors, Stockiest, Buyers, Sellers, Importers, Exporters, Services and agents of all kinds of vehicles, equipment's, components and spare parts thereof. The Dealership has completed 10 years as Audi Dealer. The Directors of the company are Mr Raghav Chandra, Mr Dinesh Goyal and Mr Shiwesh Kumar Thakur.

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'.

Revenue and Profitability

The company has achieved a revenue of Rs.146.87 Crore in FY22 against Rs.106.63 Crore in FY21. The pandemic impact on sales is evident and there is also a chip shortage aspect that contributed to a decrease in the supply of the respective models. In addition to this, government regulations that discourage the use of diesel automobile also contributed to fluctuation in turnover. As of now, Company has achieved a turnover of around Rs.126.30 Crore (till September) and company is aiming to achieve the turnover of more than 270 Crores in FY23 and FY24 backed by transition on electric vehicle from petrol and the government of India has promotional programmes for electric vehicle that enable business and its dealers command higher margins.

Weaknesses

Working Capital operations

The working capital operations of the company marked by GCA days of 70 days in FY22 against 87 days in FY21. Under automobile sector, inventory days comprises of stocking norms and display norms due to which the GCA days are on higher side. The receivable period pertains to time gap in disbursement of payments from financing company (despite approval of loan to customer) to RGPL post-delivery of vehicle to customer due to which the debtor days are maintained at 6 days in FY22.

Rating Sensitivities

- Improvement in the topline of the business.
- Improvement in working capital operations

Material covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The net cash accrual of the company is Rs. 5.21 Crore against Rs.2.44 Crore in the same period. The NCA for projected period is expected to be under the range of Rs.15 Crore against debt repayment obligations under range of Rs.5 Crore in the FY23 and FY24. The bank limit utilisation of the company is around 55%. The current ratio of the company is 0.64 times in FY22. The unencumbered cash and bank balance is Rs.0.66 Crore in FY22.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	146.87	106.63
PAT	Rs. Cr.	2.46	0.01

PAT Margin	(%)	1.67	0.01
Total Debt/Tangible Net Worth	Times	1.70	2.28
PBDIT/Interest	Times	1.67	1.40

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-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2022	Proposed Bank Facility	Long Term	1.09	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.91	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	2.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	2.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
02 Dec 2020	Inventory Funding	Long Term	2.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.09	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.91	ACUITE BB (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	2.00	ACUITE BB (Downgraded and Issuer not co-operating*)
23 Sep 2019	Proposed Bank Facility	Long Term	1.09	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.91	ACUITE BB+ Stable (Assigned)
	Inventory Funding	Long Term	2.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Assigned)
	Inventory Funding	Long Term	2.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB Stable Upgraded
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	42.00	ACUITE BB Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	14.00	ACUITE BB Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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