

Press Release

Cyber Automobiles Private Limited

February 08, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.04	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	70.04	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 70.04 Cr bank facilities of Cyber Automobiles Private Limited (CAPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established track record of operations of the company for more than two decades in the auto ancillary industry. Further, the rating also draws comfort from promoter's high experience of more than two decades as a distributor in the same industry. The experience of promoters also helped the company to established long term relationships with leading two-wheeler OEMs such as TVS Motors, Royal Enfield among others along with auto ancillary companies such as Minda Industries. The rating also takes into account the improvement in scale of operations on a YoY basis during FY22. The revenue from operations increase to Rs.203.08 Cr. in FY22 against Rs.181.56 Cr. in FY21. The company reported revenues of Rs.203.08 Cr. during 9MFY2023. However, the rating is constrained by moderate financial risk profile, working capital intensive nature of operations and stretched liquidity position of the company.

About the Company

CAPL was incorporated in the year 2002 as an authorized distributor of spare parts of two-wheelers. The company is authorised distributors of two wheelers such as TVS Motors, Royal Enfield, Yamaha Motors among others. The company has its own warehouse for storage. Also, the company engaged majorly in the Southern Region of this country and has more than 10,000 dealers in state of Telangana, Andhra Pradesh, Tamil Nadu, Karnataka and Cochin to name a few. From 2018, CAPL has entered into the dealership of tyres through Maxxis Tyre India Limited for two wheelers for Telangana, Andhra Pradesh, Karnataka & Tamil Nadu states. The company has also entered into contract manufacturing of various automobile spare parts such as Cables, Levers, Drum Rubbers etc under the brand name 'CAMP'.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Cyber Automobiles Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record and extensive experience of promoters

CAPL was incorporated in 2002 reflecting an established track record of operations for more than two decades in the auto ancillary industry. The company is authorized distributors of various two wheelers across the southern part of the country. The promoters of the company including Mr. Pardha Saradhi Unnam, have more than two decades of experience in the respective business. The experience of promoters also helped the company to establish long term relationships with leading two-wheeler OEMs such as TVS Motors, Royal Enfield among others along with auto ancillary companies such as Minda Industries.

Acuité believes that CAPL will continue to benefit from extensive experience of the promoters along with longstanding relationship over the medium term.

Augmentation in business risk profile

The company's business has witnessed augmentation in their business risk profile reflected by improvement in revenue from operations. The revenues of the company improved to Rs. 222.21 Cr in FY22 as against Rs. 181.56 Cr in FY21 reflecting a growth of ~22% during the period. The improvement was majorly on account of improvement in demand for spare parts of two wheelers which is also supported from the aftermarket market. Furthermore, the company generated revenues of Rs.203 Cr. in 9MFY23 (April 2022 – December 2022). However, the profitability of the company remained volatile due to volatility in raw material prices and trading nature of business. The operating profit margin of the company declined and stood at 4.16% in FY22 compared against 5.03% in FY21. Also, the PAT margins of the company remained at 0.66% in FY22 as compared to 0.71% in FY21.

Acuité believes that the business risk profile of the company will continue to improve on account of better demand from two wheeler industry and the aftermarket over the medium term.

Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by low net worth, high gearing, and moderate debt protection metrics. The tangible net worth of the company stood low at Rs. 20.27 Cr in FY22 as compared to Rs. 18.79 Cr in FY21. The total debt of the company stood at Rs. 80.85 Cr as on 31st March 2022 as against Rs. 75.03 Cr as on 31st March 2021 and Rs.53.03 Cr as on 31st March 2020. The debt profile of the company comprises of long-term debt of Rs.12.00 Cr and Rs. 68.85 Cr of short-term debt. The gearing of the company remained high at similar levels of 3.99 times for FY22 and FY21. The TOL/TNW also stood high at 6.72 times as on 31st March 2022 as against 6.26 times as on 31st March 2021. Furthermore, the debt to EBITDA of the company remains high at 7.79 times for FY22 compared against 8.15 times for FY21. The debt protection metrics remains moderate with debt service coverage ratio of 1.40 times in FY22 and interest coverage ratio stood at 1.49 times in FY22.

Acuité believes that the financial risk profile of the company will continue to remain moderate on absence of any major debt funded capex and modest profitability over the medium term.

Working capital intensive in nature with elongated receivable days

The operations of the company are working capital intensive in nature marked by high GCA days of 227 days for FY22 as compared against 233 days for FY21. The high GCA days is majorly

on account of high receivable days of 102 days for FY22 as against 99 days in FY21. The inventory levels of the company stood at 124 days during the same period compared against 138 days for FY21 as the company keeps stock of around 2-3 months for timely execution of orders. The creditor days of the company stood at 48 days for FY22 as against 30 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilisation by the company is also utilised almost fully in the last six months ended December 2022.

Acuité believes that the operations of the company will continue to remain intensive on account of high inventory days over the medium term.

Rating Sensitivities

- Elongation in working capital cycle
- Improvement in operations and profitability

Material covenants

None

Liquidity Position Stretched

The liquidity position of the company remained stretched led by fully utilization of working capital limits majorly on account of working capital-intensive nature of operations. The company has high GCA days of 227 days for FY22 compared against 233 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the company is also utilized almost fully in last six months ended December' 2022. Also, the company is expected to generated net cash accruals of Rs.3.86 Cr to Rs.5.70 Cr in FY23-24 period as against maturing repayment obligations of Rs.2.3 Cr during the same period. The company maintains a cash balance of Rs.2.13 Cr as on 31st March 2022.

Acuité believes that the liquidity position of the company will continue to remain stretched on account of working capital intensive nature of operations and high reliance on working capital limits for its operations.

Outlook: Stable

Acuité believes that Cyber Automobiles Private Limited will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in Cyber Automobiles' operating income or profitability, while maintaining efficient working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure, debt protection metrics and stretch in the liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	222.21	181.56
PAT	Rs. Cr.	1.48	1.29
PAT Margin	(%)	0.66	0.71
Total Debt/Tangible Net Worth	Times	3.99	3.99
PBDIT/Interest	Times	1.49	1.38

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 Entity: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BB Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.04	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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