



Press Release
CYBER AUTOMOBILES PRIVATE LIMITED
January 05, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.76	ACUITE BB Stable Assigned	-
Bank Loan Ratings	70.04	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	0.55	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	81.35	-	-

Rating Rationale

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

Also, Acuite has assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.10.76 Cr bank facilities and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 0.55 Cr bank facilities of Cyber Automobiles Private Limited (CAPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation is majorly on account of augmentation in business risk profile of the company reflected by improvement in revenues and profitability. The operating income of the company recorded a 15.04% YoY growth as it stood at Rs. 255.64 Cr in FY23 as against Rs. 222.21 Cr in FY22. The profitability of the company also witnessed an improvement, the operating profit margin of the company stood at 4.70% in FY23 as against 4.16% in FY22. The rating also factors in the established position of the company of more than two decades and extensive experience of the promoters in the two-wheeler spare parts industry. The experience of promoters has 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. However, the rating is constrained by working capital intensive nature of operations, below average risk profile 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'.

Unsupported Rating

Not Applicable

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. 255.64 Cr in FY23 as against Rs. 222.21 Cr in FY22 recording a 15.04% YoY growth. 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. 156.02 Cr till November 2023. The profitability of the company of the company also witnessed an improvement as reflected in the operating profit margin of the company which stood at 4.70% in FY23 as against 4.16% in FY22. The PAT margins of the stood at 0.88% in FY23 as compared to 0.66% in FY22.

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

Below Average financial risk profile

The financial risk profile of the company is below average marked by low net worth, high gearing, and moderate debt protection metrics. The tangible net worth of the company stood low at Rs. 22.50 Cr in FY23 as against Rs. 20.27 Cr in FY22. The total debt of the company stood at Rs. 112.23 Cr as on 31st March 2023 as against Rs. 106.98 Cr as on 31st March 2022. The debt outstanding as on 31st March 2023 comprises of long-term debt of Rs.13.01 Cr, Rs. 26.66 Cr of unsecured loans from promoters and Rs. 72.56 Cr of short-term debt. The unsecured loans from promoters and directors is non-interest bearing. The gearing of the company improved yet remained high at 4.99 times in FY23 and as against 5.28 times in FY22. The TOL/TNW also stood improved yet stood high at 6.16 times as on 31st March 2023 as against 6.72 times as on 31st March 2022. The debt protection metrics remains moderate with debt service coverage ratio of 1.42 times in FY23 and interest coverage ratio stood at 1.50 times in FY23.

Acuité believes that the financial risk profile of the company will continue to remain below average.

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 206 days in FY23 as compared against 227 days in FY22. The high GCA days is majorly on account of high receivable days of 95 days in FY23 as against 102 days in FY22. The inventory levels of the company stood at 109 days during the same period compared against 124 days in FY22 as the company keeps stock of around 2-3 months for timely execution of orders. The creditor days of the company stood at 37 days in FY23 as against 48 days in FY22. 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 fully utilised in FY23.

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

Liquidity Position Stretched

The liquidity position of the company remained stretched led by full utilization of working capital limits majorly on account of working capital-intensive nature of operations. The company has high GCA days of 206 days in FY23 compared against 227 days in FY22. 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 fully in FY23. Also, the company is expected to generated net cash accruals of Rs. 5.48 Cr to Rs. 9.69 Cr in FY23-34 period as against maturing repayment obligations of Rs. 1.48 Cr to Rs. 4.62 Cr during the same period. Also, the company maintains a cash balance of Rs. 1.30 Cr as on 31st March 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	255.64	222.21
PAT	Rs. Cr.	2.24	1.48
PAT Margin	(%)	0.88	0.66
Total Debt/Tangible Net Worth	Times	4.99	5.28
PBDIT/Interest	Times	1.50	1.49

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

Not Applicable

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Feb 2023	Proposed Term Loan	Long Term	0.04	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE A4+ Assigned
Karur Vysya Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A4+ Assigned
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BB Stable Reaffirmed
Karur Vysya Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.51	ACUITE BB Stable Assigned
Karur Vysya Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.25	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.04	ACUITE BB Stable Reaffirmed

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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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