



## Rating Rationale

AKC Motors

29 Jan 2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.00 Crores of AKC Motors.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	9.00	Long Term	<b>BWR B+</b> (Pronounced as Single B Plus) Outlook : Stable
<b>Total</b>	<b>9.00</b>	<b>INR Nine Crore Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Company upto FY18 and select financial data for current financial year, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experience of the partners, comfortable liquidity and lower conversion cycle. The rating, however, is constrained by high gearing, weak debt protection metrics and weak profit margins.

### Description of Key Rating Drivers

#### Credit Strengths :

- **Experience of the partners :** The partners of the firm have been in same industry for more than a decade. The group companies of the firm are in automotive dealerships of Bajaj Two Wheelers, Bajaj Commercial Vehicles and Hyundai Motors.
- **Comfortable Liquidity** i.e. current ratio is at 1.76X in FY18.
- **Conversion Cycle** is 40 Days in FY18 which is considered good.



### **Credit Risks :**

- **High Gearing :** Gearing is 10.55X in FY18 which is higher as compared to 8.22X in FY17. High overall gearing is at 11.83X in FY18.
- **Weak Debt Protection Metrics** i.e. ISCR and DSCR are 0.22X and 1.28X in FY18 respectively.
- **Weak Profit Margins** i.e. net profit margins and operating profit margins are 0.31% and 0.20% respectively in FY18.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook : Stable**

BWR believes the **AKC Motors** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

AKC Motors is authorized dealer of Commercial Vehicles of TATA Motors Ltd. The company has Two Showrooms. AKM was incorporated on 1 April, 2016 and became operative in 2016 itself. In December 2018, the firm started selling commercial vehicles of TATA motors Ltd. Prior to this AKM had been associated with Ashok Leyland from the start. Pooja Agarwal and Nidhi Agarwal are the partners in the firm. Alpit Agarwal is the key management personnel who manages all the operations in the firm.

### **Company Financial Performance**

The firm has projected to achieve revenue of Rs.115.79 Cr. in FY19. The firm has clocked a revenue of Rs. 47.15 Crs for nine months period ending December, 2018 of current financial year.

### Key Financial Indicators

Key Parameters	Units	2018	2017
Operating Revenue	₹ Cr	95.34	30.22
EBITDA	₹ Cr	0.58	0.22
PAT	₹ Cr	0.29	0.18
Tangible Net worth	₹ Cr	1.77	1.01
Total Debt/Tangible Net worth	Times	10.55	8.22
Current Ratio	Times	1.76	1.10

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (January, 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY17	FY16	FY15
	<b>Fund Based Cash Credit</b>	Long Term	9.00	<b>BWR B+</b>	NA	NA	NA
	<b>Total</b>		<b>9.00</b>	<b>₹ Nine Crore Only</b>			

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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