

## Rating Rationale

### Akanksha Automobiles Private Limited

22 Jan 2018

**Brickwork Ratings assigns ratings for the bank loan facilities of Akanksha Automobiles Private Limited.**

#### Particulars

Issue	Amount (in Rs. Cr.)	Tenure	Rating Assigned
<b>Fund Based</b>			
E-DFS	18.00	Long Term	<b>BWR BB (Pronounced as BWR Double B) Outlook: Stable</b>
Adhoc-WC	3.00		
Cash Credit	4.00		
Term Loans	1.64		
<b>Non-Fund Based</b>			
Bank Guarantee	(0.10)	Short Term	<b>BWR A4 (Pronounced BWR A Four)</b>
<b>Total</b>	<b>26.64</b>	<b>INR Twenty Six Crores and Sixty Four Lakhs Only</b>	

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

**Brickwork Ratings has assigned long term rating of BWR BB ( outlook: stable) and short term rating of BWR A4 to the long term and short term bank loan facilities of Akanksha Automobiles Private Limited.**

Brickwork Ratings has relied upon audited financial statements up to FY17, publicly available information and other documents provided by the management, in order to assign rating to the bank loan facilities of the Company.

#### Rating Drivers/Rating sensitivities:

While assigning the rating to Akanksha Automobiles Private Limited (AAPL or ‘the Company’), BWR has factored in the promoters’ experience in similar line of business and their ability to infuse funds into the business as per requirement, authorized dealership of Maruti Suzuki India Limited (MSIL), being the sole MSIL dealer in Moradabad, Sambhal, Amroha and Rampur Districts of Uttar Pradesh, vantage of establishing a NEXA (premium cars) showroom, above average debt-protection metrics in FY17, and healthy cash accruals. The rating is, however, constrained on account of moderate scale of operations of the Company, low level of capital infusion into the business, low level of available net working capital, highly leveraged capital structure owing to low level of capital infused by promoters and high external borrowings in all financial years, competition from other passenger car dealers operating under different

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brands, and high dependence on service revenue along with other receipts in order to maintain profitability.

Ability of the promoters to scale up operations along with profitability, improving capital structure, and timely servicing debt payment obligations will be the key rating sensitivities.

### **Key Rating Weaknesses**

- 1. Moderate scale of operations and low profitability margins:** The Company's achieved a turnover from operations of Rs. 172.17 Crores in FY17 despite high level of competition amongst passenger car dealers operating in the same vicinity. While net profit margins improved from 0.28% in FY16 to 0.42% in FY17, it is low as per the industry standards. While a retailer's margins are low, the Company has to rely on revenues from servicing of vehicles and other miscellaneous income like insurance and incentives to improve its profitability margins.
- 2. Highly leveraged capital structure:** The Company incurred capital expenditure for establishing a NEXA (premium cars) showroom in FY17. The expenditure was partly financed by freshly infused promoter funds and bank borrowings. This deteriorated the gearing (TOL: TNW ratio) from 3.67x in FY16 to 3.75x in FY17.
- 3. Key Rating Strengths**
  - 1. Promoters' experience:** The Company's directors viz. Mr. Amit Goyal, Mr. Shubham Goyal, and Mr. Anil Goyal manage the company.
  - 2. Authorized dealership of MSIL:** The Company is the sole MSIL dealer in the districts of Moradabad, Sambhal, Amroha and Rampur in Uttar Pradesh and recently has the advantage of establishing a NEXA (premium cars) showroom at Moradabad.

### **Analytical Approach:**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

### **Rating Outlook: Stable**

BWR believes the **Akanksha Automobiles Private Limited's** 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**

Moradabad based Akanksha Automobiles Pvt. Ltd. was acquired by the current promoters in April 2003, and is managed by the directors viz. Mr. Amit Goyal, Mr. Shubham Goyal, and Mr. Anil Goyal. The Company operates an authorized dealership of MSIL with showrooms in Moradabad, Rampur, Amroha, Sambhal, Thakurwada, Gajraula, Chandausi, and Bilaspur districts of Uttar Pradesh. It deals in sales of new cars, after-sale services, purchase and sale of pre-owned cars, and sale of spare parts under the brand name of MSIL.

**Company Financial Performance**

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenues	Rs. in Crores	158.24	172.22
EBIDTA	Rs. in Crores	3.47	4.68
PAT	Rs. in Crores	0.44	0.73
Tangible Networkth	Rs. in Crores	5.65	7.81
TOL : TNW	Times	3.67	3.75
Current Ratio	Times	1.11	0.89

**Rating History for the last three years: (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	FY 2018			Rating History		
		Type	Amount (Rs Crs)	Rating	FY17	FY16	FY15
1	E-DFS	Long Term	18.00	BWR BB Outlook: Stable	NA	NA	NA
2	Adhoc-WC		3.00				
3	Cash Credit		4.00				
4	Term Loans		1.64				
5	Bank Guarantee	Short Term	(0.10)	BWR A4			
	<b>TOTAL</b>		<b>26.64</b>	<b>INR Twenty Six Crores and Sixty Four Lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:  
Not Applicable**

**Any other information: NA**

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)

**For any other criteria obtain hyperlinks from website**

Analytical Contacts	Media
Ashwini Mital Sr. General Manager (Ratings)	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	



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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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### **DISCLAIMER**

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