

AMIT AUTOWHEELS PVT LTD

Brickwork Ratings reaffirms the ratings, with change in outlook to negative, for the Bank Loan Facilities of Rs.59.50 Crs of Amit Autowheels Pvt Ltd

Particulars:

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (22 Aug 2019)	Present
Fund Based	51.00	59.50	Long Term	BWR B+ Stable	BWR B+ Negative (Reaffirmed)
Total	51.00	59.50	Rupees Fifty Nine crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Reaffirmation in the ratings of Amit Autowheels Pvt Ltd (AAPL or the company), with a change in outlook to negative, factors in a decline in revenues, poor liquidity and weak overall financial risk profile. The company has not been able to meet the projected level of revenues and profits for FY20 due to economic slowdown and industry wide factors. For FY21, the company expects to better its revenues along with substantial improvement in profit margins. However, the ratings find support in the experience of promoters and strong market position of Tata Motors, of which AAPL is an authorised dealer for commercial vehicles.

However, BWR expects that given the COVID-19 pandemic, general economic slowdown and change in emission norms impacting sales of commercial vehicles, the company would not be able to achieve the projected level of revenues and profit margins. High working capital borrowings against low tangible net worth and profits would continue to weigh heavily on debt coverage indicators and overall gearing profile.

COVID-19 Impact: Sale of vehicles was completely disrupted during April and May 2020 and resumed from June20 onwards at a low scale. However, workshops have remained fully functional during the lockdown due to the essential nature of services and after obtaining required clearances from statutory authorities. The company has availed moratorium on loans as

announced by RBI under COVID-19 regulatory package.

Outlook: Negative

Outlook was changed to negative in view of the subdued business performance in FY20 (provisional) that is likely to result in a deterioration of overall financial risk profile of the company. On a provisional basis, the company has booked revenues of Rs.182 crs during FY21, significantly lower than FY19 revenues of Rs.263.12 crs and projected FY20 revenues of Rs.275.46 crs. COVID-19 impact, change in emission norms, economic slowdown and other factors would continue to exert downside risks on sales of commercial vehicles and BWR expects that the company is unlikely to improve upon its financial performance of FY20.

KEY RATING DRIVERS

Credit Strengths

- **Experienced Promoters :** The promoters have experience of more than a decade in the same line of business.
- **Strong Market position:** The company is authorised dealer of commercial vehicles of “TATA Motors Ltd.”. The dealership operates showrooms at Teenpani in Haldwani and provides Sales, Service and Spares for all segments of commercial vehicles. The company also has sales outlets in Bageshwar, Pithoragarh, Khatima, Kashipur and Sitarganj areas of Uttarakhand state. The company also operates approved workshops for servicing and repairing of TATA Commercial vehicles along with the showroom.

Credit Risks:

- **Revenues:** During FY20, operating revenues of the company declined by almost 31% to Rs.182 crs (Prov.) (P.Y Rs.263.12 crs).
- **Profit Margins:** During FY19, operating profit margin had improved to 1.24% (P.Y 0.57%) due to lower input costs. EBITDA was negative in FY20 (prov). PAT declined to 0.57% in FY20 (prov).
- **Networth and Gearing:** Gearing, as indicated by Total Debt/TNW ratio and TOL/TNW ratio, has been high y-o-y due to higher working capital requirements against low net worth position. Total Debt/TNW ratio and TOL/TNW ratio were 5.26x and 6.59x respectively during FY19. These have shown improvement to 1.37x and 1.80x respectively during FY20 (prov) due to momentary decline in usage of working capital facilities, which however cannot be taken as an accurate indicator of future usage as overall sanctioned WC limits to the company are to the tune of Rs.60 crs approx. vis-a-vis net worth of Rs.12.81 crs (prov.) during FY20.
- **Interest coverage:** ISCR of the company is poor at 0.41x and 0.47x in FY18 and FY19



respectively. As the EBITDA turned negative in FY20 (prov), the company could only meet its interest expenses through the Non-operating Income.

- **Overall risk profile:** Overall risk profile of the company is high risk to high reliance on external WC borrowings leading to high debt oriented business operations, working capital intensive nature of business operations, lower profits margins, low interest coverage and weak industry outlook.
- **Industry Outlook:** Sale of commercial vehicles is cyclical with the general economy. For the past 2 years, sales of commercial vehicles have been declining due to general slowdown in the economy. New regulatory norms related to emission norms and axle weight, softer freight rates and liquidity crunch at non bank lenders have also led to decline in sale of commercial vehicles, which is further dented by COVID 19 pandemic led disruption of supply chains and other economic activities.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Rating is sensitive to overall level of operating revenues (both in number and types of vehicles sold and gross amount generated), growth in profit margins and improvement in overall risk profile of the company as indicated by gearing, liquidity and interest coverage. Any downside risks to the above factors from current levels would attract adverse rating action.

LIQUIDITY POSITION : Stretched

Liquidity in the company is stretched with a high cash conversion cycle of 82 days in FY19 and 81 days in FY20 with almost all the working capital requirements getting fully funded by external WC facilities from banks and FIs amidst low net worth position of the company. Interest coverage factor of the company is generally lower than 1x indicating insufficiency of operating profits to servicing borrowing expenses. Although the company has been able to service borrowing expenses from non operating income derived from commission and incentives, such non operating income is subject to meeting a minimum level of sales of vehicles and other criterias. In view of the slowing economy, sales of commercial vehicles is expected to remain subdued, indicating high volatility in non operating income.

COMPANY PROFILE

Amit Auto Wheels Pvt Ltd., incorporated in Feb 2009 with its current registered office at Industrial Estate, Teen Pani, Bareilly Road, Haldwani, is engaged in full fledged dealership of commercial vehicles manufactured by "Tata Motors Ltd". Ami Sahni and Shashi Sahni are the promoter directors in the company. The dealership operates showrooms at Teenpani in Haldwani



and provides Sales, Service and Spares for all segments of commercial vehicles. The company also has sales outlets in Bageshwar, Pithoragarh, Khatima, Kashipur and Sitarganj areas of Uttarakhand state.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018(Aud)	2019 (Aud)
Operating Revenue	Rs. crs	227.06	263.12
EBITDA	Rs. crs	1.29	3.25
PAT	Rs. crs	2.03	2.86
Tangible Net worth	Rs. crs	8.91	11.77
TOL/TNW	Times	8.60	6.59
Current Ratio	Times	1.11	1.13

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : CRISIL A4 (INC) for Rs.18 crs as on 06 June 2019

RATING HISTORY for the past three years (Including withdrawn and suspended)

Instrument /Facility	Current Year (2020)			Rating History						
	Current Rating			22 August 2019		04 Jan 2018			2017	
Bank Loan Facility	FB	Rs.59.50 crs	BWR B+ Negative	FB	Rs.51 crs	BWR B+ Stable	F	Rs.25 crs	BWR BB-Stable	N.A
							B			

ANNEXURE I

**Amit Autowheels Pvt Ltd
Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Crs)}	Short Term {(₹ Crs)}	Total (₹ Crs)
1	State Bank of India, Bhutiapadav, Haldwani	Inventory Funding	9.50	NIL	9.50
2	Tata Capital Financial Services Ltd., Civil Lines, Bareilly	Inventory Funding	20.00	NIL	20.00
3	Standard Chartered Bank	Flexi Loan	7.50	NIL	7.50
4	IndusInd Bank, B.O Vibhuti Khand, Lucknow	Channel Finance	5.00	NIL	5.00
5	Axis Bank, B.O Moradabad	Channel Finance	7.50	NIL	7.50
6	HDFC Bank	Inventory Funding	5.00	NIL	5.00
7	ICICI Bank	Channel Finance	5.00	NIL	5.00
TOTAL			59.50	NIL	59.50

Total Rupees Fifty Nine crores and Fifty Lakhs only.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**
- **Manufacturing Companies**

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