



## Rating Rationale

Amit Autowheels Pvt. Ltd.

22 Aug 2019

**Brickwork Ratings downgrades the rating for the Bank Loan Facilities of ₹ 51 Crores of Amit Autowheels Pvt. Ltd.**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (04 Jan 2018)	Present
Fund based	25.00	51.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable (Downgrade)
<b>Total</b>	<b>25.00</b>	<b>51.00</b>	<b>INR Fifty One crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Rating: Downgraded

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

BWR has principally relied upon the audited financial results of the company upto FY18, provisional financials for FY19, projected financials for FY20 and FY21, publicly available information and information/clarifications provided by the management of the company and their representatives.

The rating draws strength from the experience of the promoters and growth in scale of operations during last two financial years, but is, however, constrained by weak financial risk profile of the company and weak industry outlook for near and medium term. The downgrade in the rating factors in the highly leveraged capital structure, deteriorating profitability margins and interest coverage ratios and increasing working capital requirements resulting in high overall gearing.

**Liquidity:** During FY18 and FY19, working capital requirements of the company have increased substantially due to higher inventory and receivables. Gross current assets (inventory and receivables) have increased to Rs.61 crs and Rs.60 crs in FY18 and FY19 respectively against Rs.25 crs and Rs. 20 crs during FY16 and FY17 respectively. Increase in working capital requirements during FY18 and FY19 is almost fully funded by working capital facilities from banks/FIs.



**Rating sensitivity:** The rating is sensitive to gearing ( TOL/TNW ratio 8.60x in FY18) and interest coverage (ISCR 0.41x in FY18). Any increase in outside borrowings without commensurate infusion of equity and increase in borrowings costs without improvement in profitability would attract adverse rating action.

### **Description of Key Rating Drivers:**

#### **Credit Strengths:**

- **Experienced Promoters :** Company promoters have experience of more than a decade in the same line of business.
- **Growing scale of operations:** During FY18, total revenues of the company have grown by almost 140% to cross Rs.226 crs against Rs.94 crs during FY18. On provisional basis, the company has reported revenues of Rs.262 crs during FY19.

#### **Credit Weakness:**

- **Weak financial risk profile:** Owing to higher working capital requirements, overall gearing has deteriorated to 7.94x during FY18 against 2.90x during FY17. Competition and low margins by OEM have kept profit margins low. Operating profit and net profit margins during FY18 are 0.57% and 0.89% respectively. On provisional basis, the company has reported negative operating profitability for FY19 (prov). Due to low operating profitability, interest coverage ratio is low at 0.41x during FY18.
- **Downturn in commercial vehicles industry:** New regulatory norms related to axle weight, softer freight rates and liquidity crunch at non-bank lenders has led to slow down in sales of commercial vehicles in India.

### **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 **Amit Autowheels Pvt. Ltd.**'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**

Amit Autowheels 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.

### Company’s Financial Performance

Key Parameters	Units	2017	2018
Operating Revenue	Rs. crs	94.67	227.06
EBITDA	Rs. crs	0.02	1.29
PAT	Rs. crs	1.34	2.03
Tangible Net worth	Rs. crs	6.88	8.91
Total Debt/Tangible Net worth	Times	2.90	7.94
Current Ratio	Times	1.24	1.11

### Rating History for the last three years

Instrument /Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	04 Jan 2018	2017	2016
<b>Fund Based</b>	Long Term	51.00	<b>BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable</b>	<b>BWR BB- (Pronounced as BWR Double B Minus)</b>	N.A	N.A
<b>Total</b>		<b>51.00</b>	<b>₹ Fifty One crores Only</b>			

Status of non-cooperation with previous CRA (if applicable)- CRISIL A4 (INC) for Rs.18 crs as on 06.06.2019



**Annexure I: Details of Bank Loan facilities**

Facility	Rated Amt.
Inventory Funding (e-DFS)	9.50
Inventory Funding	20.00
Flexi Loan	7.50
Channel Finance	10.00
Channel Finance	4.00
	51.00

**Hyperlink/Reference to applicable Criteria**

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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.