Rating Rationale

Amit Autowheels Pvt. Ltd.

4-Jan-2018

Brickwork Ratings assigns ratings for the long term bank loan facilities of Amit Autowheels Pvt. Ltd.

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	*Rating Assigned
Fund Based Flexi Loan Facility	5.00	Long Term	**BWR BB-** (Pronounced as BWR Double B Minus) **(Outlook : Stable)**
Fund Based e-DFS	10.00		
Fund Based Channel Financing/Inventory Funding	10.00		
Total	**Rs 25.00 Crores (INR Twenty Five Crores Only)**		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has assigned Long Term rating of BWR BB- (Outlook: Stable) for loan facilities of Amit Autowheels Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating of Amit Autowheels Pvt. Ltd**.** (AAPL or 'the company'), BWR has factored in the company's operating revenues, profit margins, solvency position, ability to pay debt obligations, promoters' business experience and conversion cycle. The ratings are constrained by decline in turnover in FY17, high gearing and elongated conversion cycle, besides likely competition from peers.

The ratings, however, draw comfort from experienced promoters, dealership of Tata Motors Ltd. for commercial vehicles, improvement in profit margins and moderate debt protection metrics.

Key Rating Strengths

- **Experienced Promoters:** AAPL promoters have experience of more than a decade in the same line of business.
- **Moderate debt protection metrics:** It has moderate ISCR at 2.10x in FY17 and DSCR at 1.73x in FY17.
- **Improved profit margins:** Company net profit margins has improved from 0.90% in FY16 to 1.36% in FY17 and operating profit margin has improved from 2.90% in FY16 to 4.20% in FY17.

Key Rating Weaknesses

- **Declined Turnover:** Total operating income has declined from Rs 142.41 Cr in FY16 to Rs 98.80 Cr in FY17.
- **Elongated conversion cycle and debtors receivables:** Company's cash conversion cycle has deteriorated from 54 days in FY16 to 74 days in FY17 due to deteriorated receivables days, owing to increased trade receivables less than 6 months from Rs 4.63 Cr in FY16 to Rs 11.39 Cr in FY17.
- **High gearing (TOL/TNW): The** Company has low net worth as compared to the total outstanding liabilities, leading to total outstanding liability to net worth ratio at 3.87x in FY17.

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 *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 Firm

Established in 1994, as a sub-dealer for " Swaraj Mazda" & " Kinetic Honda", M/s Amit Automobiles become a full-fledged "TATA MOTORS" dealer of commercial vehicles for Kumaon region of Uttrakhand State and reconstituted as "M/s Amit Autowheels Pvt. Ltd." in Aug 2009. With its headquarter at Haldwani, the dealership operates with a showroom at Teenpani, Haldwani, providing Sales, Service & Spares (3S) facilities of all segments of commercial vehicles. In addition, the Company has sales outlets at Bageshwar, Pithoragarh, Khatima, Kashipur and Sitarganj.

Company's Financial Performance

Particulars	Units	FY2016 (Audited)	FY2017 (Unaudited)
Net Sales/Revenue	Rs. Crores	142.41	98.80
EBIDTA	Rs. Crores	4.14	4.15
PAT	Rs. Crores	1.28	1.34
Tangible Networth	Rs. Crores	5.54	6.88
TOL : TNW Ratio	Times	4.52	3.87
Current Ratio	Times	1.21	1.24

Total operating income declined from Rs 142.41 Cr in FY16 to Rs 98.80 Cr in FY17; however PAT improved marginally from Rs 1.28 Cr in FY16 to Rs 1.34 Cr in FY17.

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

S.No.	Instrument/ Facility	Current Rating (FY 2018)			Rating History	
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016
1.	**Fund Based** Flexi Loan Facility	Long Term	5.00	**BWR BB- (Outlook : Stable)**	**NA**	**NA**
	Fund Based Channel Financing/Inventory Funding		10.00			
2.	**Fund Based** e-DFS		10.00			
	Total	**Rs 25.00 Crores (INR Twenty Five Crores Only)**				

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information - NIL

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities
- Services Sector

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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 Investors queries can be sent to 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.

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