

RATING RATIONALE

31 March 2020

Ashok Auto Ventures LLP

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facility of
₹49 Crs of Ashok Auto Ventures LLP**

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March,2019)	Present^
Fund Based	40.00 (proposed)	49.00	Long Term	BWR BB- (Stable)	BWR BB- (Stable) Reaffirmation
Total	40.00	49.00	INR Forty Nine Crores		

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

** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

BWR has reaffirmed Long Term rating at BWR BB-(Stable) for the bank loan facilities of Ashok Auto Ventures LLP

The rating continues to draw comfort from the experience of the partners in the automotive industry, an already established market by the group company for the business operations. The rating is, however, constrained by nascent stage of operations, besides cyclical industry and competition from peers.

The outlook is Stable as the company has been able to improve the scale of operations. The company has achieved turnover of Rs 146.49 Cr in 10MFY20.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, projections upto FY22, publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Partners Experience** :Key Partners of the company are Ranjana Bansal and Bharat Bansal have more than a decade of experience in the automobile industry.
- **Established Market by Group Company:** There are 5 facilities being operated in Ghaziabad, Noida and Bulandshahr and 3 facilities out of 5 facilities were being managed by group company(Ashok Auto Sales Ltd) company before. So there is a minimum risk to start dealership operations with these facilities since market is already established under Group name. As advised, the company has achieved turnover of Rs 146.49 Cr in 10MFY20.

Credit Concerns :

- **Nascent Stage of Business** : Business under Ashok Auto Ventures LLP is still at Nascent stage of operation and the company has started its business operation from April 2019 and FY20 would be the full year of operations.
- **Competition and Cyclical nature of Industry** : NCR region has a number of dealers and the competition from other automobile brands could impact the demand and profit margins in future. Auto Industry is cyclical in nature i.e. revenues are generally higher in periods of economic prosperity and expansion and are lower in periods of economic downturn and contraction

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating outlook may be revised to positive and rating may be upgraded in case there is improvement in scale of operations, achieving the projected financials and good profit margins.

Negative: The rating may be downgraded if the company achieves lower financial ratios than projected financials.

LIQUIDITY POSITION (Adequate)

Cash and Cash Equivalents was Rs 7.38 Cr at the end of March,2019. Working capital utilization is below 80%. There are no term loans availed by the company.

COMPANY PROFILE

Ashok Auto Ventures LLP(AAVL), is a group concern of Ashok Auto Sales Ltd, was established in Nov,2016. The company is engaged in the automobile dealership of Tata Motors and the company has started its operation from 1st April,2019.

Partners of the company are Mr. Bharat Bansal, Ranjana Bansal and Ashok Auto Sales Ltd. represented by Mr. Rajan Kishore

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Crs	0.00	0.00
OPBDIT	Crs	0.00	-0.02
PAT	Crs	0.00	-0.05
Tangible Net Worth	Crs	0.00	9.76
Total Debt/TNW	Times	na	0.43
Current Ratio	Times	1.00	2.01

FY20 will be the 1st full year of operations.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY

Facilities Available	Current Rating (March 2020)			Rating History for the past 3 years (Amount in (Rs. Crores))					
	Tenure	Amount (In Crs)	Rating	2019*	2018	2017			
Bank Loan Fund Based (FB)	Long Term	49.00	BWR BB- (Stable) Reaffirmation	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> <div style="text-align: center; font-size: small;">22 March 2019</div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; text-align: center;">FB</td> <td style="width: 20%; text-align: center;">40.00</td> <td style="width: 60%; text-align: center;">BWR BB- (Stable)</td> </tr> </table> </div>	FB	40.00	BWR BB- (Stable)	-	-
FB	40.00	BWR BB- (Stable)							
Total		49.00	INR Forty Nine Crores Only						

**moved to rating not reviewed category on 23 March 2020*

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](#)
- [Trading Entities](#)

Analytical Contacts	Investor and Media Relations
Raman Thakur Rating Analyst Phone:011-23412232 raman.t@brickworkratings.com RK Sharma Senior Director - Ratings Phone:011-23412232 rksharma@brickworkratings.com	Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com

Ashok Auto Ventures LLP

ANNEXURE I

Details of Bank Facilities rated by BWR

S. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Canara Bank	OCC	11.00	-	11.00
2.	SBI	CC under e-DFS Ad Hoc Working capital	10.00 2.50	- -	10.00 2.50
3.	Tata Capital Financial Service Limited	Channel Financing/inventory Funding	7.50	-	7.50
4	Tata Capital Finance Solutions Limited	Channel Financing/inventory Funding	7.50	-	7.50
5.	ICICI Bank Ltd	Inventory Funding	3.00	-	3.00
6.	Indusind Bank Ltd	Channel Financing Ad hoc Limit	5.00 2.50	- -	5.00 2.50
TOTAL					49.00

Total INR Forty Nine Crores Only

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