

## Rating Rationale

### Ashok Auto Ventures LLP

22 March 2019

Brickwork Ratings assigns rating for the bank loan facilities of Ashok Auto Ventures LLP.

#### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating Assigned <sup>^</sup>
<b>Fund Based</b>  CC/Inventory (proposed)	40.00	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>
<b>Total</b>	<b>40.00</b>	<b>INR Forty Crores Only.</b>	

<sup>^</sup>Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

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

BWR principally relied upon audited financials upto FY18, projections upto FY22 and publicly available information and information/clarification provided by the management.

While assigning the rating of *Ashok Auto Ventures LLP*. (AAVL or ‘the company), BWR has factored in the experience of the partners in the automotive industry, infusion of equity and likely commencement of operations in the already established market by the group company. The rating is, however, constrained by nascent stage of operations, besides cyclical industry and competition from peers.

Going forward, company ability to meet its projections for FY20, besides managing capital structure would be key sensitivities over short to medium term

#### Credit Strengths :

- **Partner Experience** :Key Partners of the company are Ranjana Bansal and Bharat Bansal have more than a decade of experience in the automobile industry.
- **Infusion of equity** : Ashok Auto Ventures has already infused Rs 10.00 Cr in the company by Feb,2019..
- **Established Market by Group Company**: As per advised by the company, there would be 4 proposed facilities to start with which were being managed by group company ‘Ashok

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Auto Sales Ltd'. and one more proposed facility with location at Greater Noida is to be operational in next 3 months. So there is moderate risk to start dealership operations with these facilities since market is already established under Group name.

#### **Credit Concerns :**

- **Nascent Stage of Business :** Business under Ashok Auto Ventures LLP is still at Nascent stage of operation and commencement of business is expected to start in March,2019.As per client, sales of Rs 30.00 Cr is expected on a monthly basis.
- **Competition and Cyclical nature of Industry :** NCR region has 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:**

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 *Ashok Auto Ventures LLP.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**

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 commencement of business is expected in the last week of March, 2019. As per advised by the company, there would be 4 proposed facilities to start with which were being managed by group company 'Ashok Auto Sales Ltd'. and one more proposed facility with location at Greater Noida is to be operational in next 3 months.

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

### Company's Financial Performance

The company is yet to start its business operations. The company has infused capital of Rs 10.00 Cr in the current financial year. It has projected to achieve revenue of Rs. 413 Cr and PAT of Rs 3.60 Cr in FY20.

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

S.No.	Instrument / Facility	Current Rating (Year 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	2018	2017	2016
1.	CC/Inventory (proposed)	Long Term	<b>40.00</b>	<b>BWR BB-</b> <i>(Pronounced as BWR Double B Minus)</i> <b>Outlook: Stable</b>	NA	NA	NA
Total			<b>40.00</b>	<b>INR Forty Crores Only.</b>			

Status of non-cooperation with previous CRA – NA

Any other information - NIL

### Hyperlink/Reference to applicable Criteria

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

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For print and digital media

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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**

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