



RATING RATIONALE

30 Dec 2019

Aspire Automobiles Private Limited

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹.9 Crores of Aspire Automobiles Pvt Ltd ('AAPL' or 'the company')

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
Fund based	9	9	Long Term	BWR B+ (Stable) Reaffirmed	BWR BB- (Stable) Upgrade
Total	9	9	INR Nine Crores Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has upgraded the ratings of **Aspire Automobiles Pvt Ltd** to BWR BB-. The upgrade of rating reflects the long standing experience of the management in the car dealership business, the company's association with the leading global car manufacturer Hyundai Motors India Ltd which has the second highest market share in the passenger cars segment in the country. The rating is further strengthened by AAPL's consistent growth in sales year-on-year and its moderate financial risk profile. The company has opened two more showrooms taking the total number of showrooms to five which is bound to boost its sales. The rating, however, remains constrained by the moderate to high gearing level of the company and the slump in the Indian automobile industry in recent times.

The 'stable' outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the company's performance is likely to be maintained over the next few years.

KEY RATING DRIVERS

Credit Strengths:

- **Extensive experience of the promoters:** The promoters of the company have a track record of successfully running the car dealership business for over a decade.
- **Association with a leading global automobile brand:** The company has association with Hyundai Motors India Limited which is the second largest seller of passenger vehicles in India for over a decade now and enjoys a good brand value in the country.

- **Steady growth in revenues over the years:** AAPL's operating income has steadily grown over the years and has crossed Rs.100 Crore in FY19. In the current financial year, FY20, the company has provisionally achieved sales of Rs.241 Crores in 7 completed months i.e. Apr - Oct 2019.
- **Moderate financial risk profile:** The company has a moderate financial risk profile as reflected in Networth of Rs.5.83 Crore as on 31 March 2019. The debt coverage indicators were also moderate for the year as ISCR & DSCR was 1.70x & 1.30x respectively

Credit risks:

- **Moderate to high gearing:** The company's gearing (total debt/TNW) was moderately high at 3.45 times while overall gearing (TOL/TNW) was 4.31 times as on 31 March 2019.
- **Exposure to risks related to business:** The automobile industry is cyclical and historically it has experienced downturns characterized by oversupply and weak demand. Many factors affect the industry, including general economic conditions, consumer confidence, personal discretionary spending levels, interest rates and credit availability. The automobile industry also experiences seasonal variations in revenue and also the industry has low profitability margins.
- **Downturn in the Indian automobile sector:** The Indian automobile sector is going through its worst phase in the last two decades. The sale of Passenger Vehicles declined by (-) 20.22 percent in April-October 2019 over the same period last year. Within the Passenger Vehicles, the sales for Passenger Cars and Vans declined by (-) 27.02 percent and (-) 35.41 percent respectively in April-October 2019 over the same period last year, while the sale of Utility Vehicle increased by 0.14%.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of the company. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: A strong growth in the company's revenue, improvement in profitability margins, gearing levels and coverage indicators.

Negative: A sharp decline in the turnover, deterioration in gearing levels and any delays in the debt servicing.

LIQUIDITY POSITION : Stretched

The company had generated net cash accruals of Rs.1.42 Crores for FY19 as compared to Rs.1.25 Crore in FY18. The Cash & cash equivalents as on 31 March 2019 stood at Rs.1.50 Crore against Rs.0.69 Crore a year earlier.

The company avails inventory funding facilities from various banks wherein margin requirements are usually waived off or relaxed. The Current ratio for FY19 was 1.23x. There are not any major debt repayment obligations for the company in the medium term. The average working capital limits utilization is at 100% in the past one year. The liquidity position of the company seems stretched considering the above mentioned factors.

COMPANY PROFILE

Aspire Automobiles Pvt Limited (AAPL) was incorporated in 2000. The company is having a dealership of Hyundai Motors in the name of Fortune Hyundai. Further the company's workshop and showrooms are located in Meerut, Bulandshahr, Modinagar, Noida and Noida Extension. The company also has a warehouse in Greater Noida.

The management comprises of promoters Mr.Anuj Garg, Mr. Abhinav Yadav and Ms. Priyanka Garg. They are supported by other technical staff who are experienced and qualified in their respective field of operations.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Income	₹ Crores	107.09	87.87
EBITDA	₹ Crores	3.45	3.54
PAT	₹ Crores	0.80	0.60
Tangible Net worth	₹ Crores	5.83	5.22
Total Debt / Tangible Net worth	Times	3.45	3.46
Current Ratio	Times	1.23	1.25

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Instrument / Facilities	Current Rating (Dec 2019)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	6 June 2019	5 Mar 2018	2017
Fund Based	Long Term	9	BWR BB- (Stable) Upgrade	Rating not reviewed	BWR B+ (Stable) Reaffirmed	-
Total		9	INR Nine Crores 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](#)
- [Rating Criteria for Services Sector](#)

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Aspire Automobiles Pvt Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	9	-	9
TOTAL					9

Total Rupees Nine Crores only.

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