



Rating Rationale

Auto Carriage Pvt Ltd

27 Nov 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 14.38 Crores of Auto Carriage Pvt Ltd (ACPL or ‘the Company’)

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	14.38	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook:Stable)
Non Fund Based	(4.00)	Short Term	BWR A4 (Pronounced as BWR Single A Four)
Total	14.38	₹ Fourteen Crores Thirty Eight Lakhs Only	

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

Note: Details of bank wise facilities is as per Annexure-I

Rating : Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The Ratings inter alia factors the promoters' experience in the dealership business, and established brand name as 'Royal Motor', with one dealership comprising of 1 showroom and workshop in Kolkata. However the ratings are constrained by relatively moderate scale of operations, inherent limitations of the business involving stiff competition from established brands resulting in pressure on profit margin. Further, tightness in working capital due to maintaining of inventories as reflected in working capital utilization for more than 90% is also a restraining factor. However, the promoters have ability to infuse capital as and when required. Going Forward, the Company needs to achieve projected revenue with better profitability margin while maintaining working capital cycle and liquidity in the system, which will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced and well qualified management team :** The promoters (Mrs Kavita Himatsingka, Mr Nitin Himatsingka and Mr Raja Chandra Garg) are experienced in the dealership business for on a average of two decades and are supported by qualified and experienced professional team in place. The Company is presently managed by Ms Kavita Himatsingka, Mr Nitin Himatsingka and Mr Raja Garg Chandra. Over the



years, they have developed market reach in West Bengal and North East region, especially in passenger vehicles.

Credit Risks:

- **Susceptibility to intense competition :** ACPL faces stiff competition from other well-established brands in passenger vehicle. As the entry barriers are limited in the auto dealership industry and also the risk related to price volatility in commission and incentives, leading to intense competition due to many small dealers in the region. Due to the inherent nature of business model, the operations and profitability are primarily dependent on the principal, Mahindra & Mahindra Limited. ACPL is in single segment business in West Bengal and Assam.
- **Elongated working capital cycle :** Due to nature of business , at any point in time it need to maintain inventories for at least 1-2 months to meet customer need. Therefore, its working capital utilization is more than 90% for last six months. However, it is partially offset by promoters ability to infuse capital as and when required.
- **Liquidity Position : During FY18,** cash and cash equivalent has declined to ₹ 0.95 crs and limited in financial flexibility since on account of continuous utilization of working capital which is more than 90% for last six months.

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 **Auto Carriage Pvt. Ltd.** 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

ACPL was incorporated in 1996 as a private limited by the Kolkata-based Himatsingka family. Initially, the Company was into automobile spare parts business and selling of used cars. In 2007, they stepped into automobile dealership of Mahindra & Mahindra Limited for passenger vehicles and commercial vehicles . Currently, the Company is into dealership of Sales, Service and spare parts of Mahindra & Mahindra Limited and also selling used cars under the brand name of '**Royal Motor**'. Currently, the Company has one showroom and workshop in Kolkata, however, they can sell all over west Bengal without any restrictions. The Company registered office is in Kolkata, West Bengal.

Company Financial Performance

The Company has recorded operating income of ₹ 112.42 Crs in FY18 against ₹ 130.54 Crores in FY17 registering a 13.88% decrease over the previous year . Similarly, PAT of ₹ 0.13 Crs has been achieved in FY18, against PAT of ₹ 0.42 Crs in FY17. Other Key indicators in the below table,

Key Financial Indicators

Key Parameters	Units	2017 (A)	2018 (A)
Operating Revenue	₹ Cr	133.25	115.51
EBITDA	₹ Cr	3.72	3.42
PAT	₹ Cr	0.42	0.13
Tangible Net worth	₹ Cr	3.06	3.19
Total Debt/Tangible Net worth	Times	9.83	10.55
Current Ratio	Times	1.10	1.03

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	14.38	BWR BB (Outlook:Stable)	-	-	-
2	Non Fund Based	Short Term	(4.00)	BWR A4	-	-	-
	Total		14.38	₹ Fourteen Crores Thirty Eight Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



Auto Carriage Pvt Ltd
Annexure-I
Details of Bank Facilities

₹ Crs		Central Bank of India
Fund Based	Overdraft	12.50
	Term Loan	1.88
	Total Fund Based	14.38
Non Fund Based	Bank Guarantee (Sublimit of CC)	(4.00)
	Total Non Fund Based	(4.00)
Total (Long & Short)		14.38

Analytical Contacts	Media
Vidya Shankar Chief General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, 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.