



## Rating Rationale

Rachhpal Auto Alliances Pvt. Ltd

23Mar2019

**Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 10.98 Crores of Rachhpal Auto Alliances Pvt. Ltd.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous to Previous (Nov, 2016)	Previous (Feb 2018)	Present
Fund based Cash Credit Term Loan OD-EDFS	7.00	7.00	Long Term	BWR B+ Outlook: Stable (Pronounced as BWR Single B Plus) Assigned	Issuer did not cooperate; BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus) Upgraded
	1.59	0.98				
	0.00	3.00#				
<b>Total</b>	<b>8.59</b>	<b>10.98</b>	<b>INR Ten Crores and Ninety Eighty Lakhs Only</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

#Validity of the facility is expired on 09.10.2017

### Ratings: Upgraded

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

BWR has relied upon the Audited Financials upto FY18, CA Certified Provisional Financials of 8MFY19, Projected financials upto FY20 and the information and clarifications provided by the management.

The rating derives strength from the experience of the promoters in the automotive dealing industry, improvement in the profitability margins, just sufficient debt protection metrics, infusion of paid up capital. The ratings are however constrained by decline in the revenue, relatively high level of gearing,



high bank limit utilisation on account of stressed liquidity, high level of competition from other automotive dealers in the region and working capital intensive nature of operations

Going forward, the ability of the company to infuse funds, improve scale of operations along with profitability margins and the ability to manage working capital efficiently would be the key rating sensitivities. "

### **Description of Key Rating Drivers**

- **Credit Strengths:**

Promoter directors of the company Mr. Rachhpal Singh, Mr. Shaminder Singh and Mr. Harpreet Singh have more than a decade of experience in automotive dealing industry and its related business such as sales of spare parts Operating profit margin has improved from 2.76% in FY17 to 3.30% in FY18. Net profit margin has improved from 0.17% in FY17 to 0.58% in FY18. Debt coverage is at 1.13 x in FY 18 The paid up capital has marginally increased from Rs.1.25 Crs as on 31.03.2017 to Rs.1.56 Crs as on 19.03.2019

- **Credit Risks:**

Revenue has declined from 59.56 Crs in FY17 to Rs.57.05 Crs in FY18 reportedly due to impact of GST on Automobile industry, the revenue decline has partially been offset by the complementary businesses such as spare part sales, repair and maintenance services provided, fees and commission income being received. Gearing is relatively high at 5.86X as on 31.03.2018. tight liquidity related to Current ratio at 0.97times as on 31.03.2018 and an average bank working capital limit utilisation was above 95% in the last six months. The dealer faces high level of competition from the other automobile dealers in the region.

### **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 **Rachhpal Auto Alliances 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

Rachpal Auto Alliances (P) Ltd is a private limited company constituted on 24.09.2014 is an authorised dealers of Hyundai Motors India Pvt Ltd dealership showroom for sale and services of Hyundai Make vehicles in the name of Paul Hyundai. The company is also engaged in the sale of spare parts, lubricants, repair works and earns commission through banks and insurance firms. Mr. Rachhpal Singh is the promoter director of the company and his sons Mr. Shaminder Singh and Mr. Harpreet Singh are the other directors of the company. Operations of the firm are currently managed by the Promoter's sons Mr. Shaminder Singh and Mr. Harpreet Singh.

### Company Financial Performance

The company reported a revenue of Rs.57.05 Crs for FY18 as against the revenue of Rs.59.56 Crs for FY17. Operating profit margin was 3.30% in FY18 as against 2.76% in FY17 and Net profit margin was 0.58% in FY18 as against 0.17% in FY17. ISCR and DSCR were sufficient at 1.60X and 1.13X in FY18 respectively.

### Rating History for the last three years

Sl. No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	19. 2.2018	2017	18.11.2016
1.	Fund Based Cash Credit Term Loan OD-EDFS	Long Term	7.00 0.98 3.00	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus) Upgraded	Issuer did not cooperate; BWR B+ (Pronounced as BWR Single B Plus) Reaffirmed	Not Rated	BWR B+ Outlook: Stable (Pronounced as BWR Single B Plus) Assigned
	<b>Total</b>		<b>10.98</b>	<b>₹ Ten Crores and Ninety Eight Lakhs Only</b>			

Status of non-cooperation with previous CRA Not to our knowledge

Any other information: Nil



**Key Financial Indicators**

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	59.56	57.05
EBITDA	Rs in Crs	1.65	1.88
PAT	Rs in Crs	0.10	0.33
Tangible Net worth	Rs in Crs	1.43	1.76
Total Debt/Tangible Net worth	in times	7.07	5.86
Current Ratio	in times	0.97	0.97

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Venkatesh</i> <i>Senior Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	



#### **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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.