

## Autoriders International Limited

September 07, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.50	CARE BB-; Stable (Double B Minus; Outlook: Stable )	Revised from CARE BB; Stable (Double B; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>8.50</b> <b>(Rs. Eight Crore and Fifty Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the long bank facilities of Autoriders International Limited (AIL) continues to be constrained by modest scale of operations coupled with significant deterioration in topline due to covid-19 pandemic, loss on PAT level, subsequent erosion of net worth, elongated operating cycle, moderately leveraged capital structure, and moderately working capital intensive nature of operations. The rating further continues to be constrained by highly competitive nature of the industry characterized by intense competition.

The rating, however, derives strength from the experienced management, long track record of operations, satisfactory operating margin, and moderately diversified & reputed customer base.

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Increase in the scale of operations with a total operating income exceeding Rs. 60 crore with tangible networth base exceeding Rs. 20 crore on a sustained basis
- Improvement in the capital structure with the overall gearing below 1.00x on a sustained basis
- Improvement in the collection period below 60 days respectively on a sustained basis

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Deterioration in profit margins with PBILDT and PAT margin lower than 12% and 1% respectively on a sustained basis
- Deterioration in the debt coverage indicators with interest coverage ratio below 2x with total debt to GCA exceeding 5x on a sustained basis
- Deterioration in working capital cycle beyond 90 days on a sustained basis.

### Detailed description of the key rating drivers

#### Key rating Weakness

#### **Modest scale of operations and further deterioration in FY21**

AIL has modest scale of operations marked by a Total Operating Income (TOI) of Rs.58.83 crore in FY20 (vis-à-vis Rs.66.44 crore in FY19). This has been primarily due to service driven nature of business whereby the company is mainly booking rental income. This limits the company's financial flexibility in times of stress and deprives it from economies of scale benefits. Additionally, in FY21, TOI fell by ~66% to Rs. 20.17 crore due to decline in operations and decrease in demand from customers during the year on account sporadic lockdowns imposed by the government to restrict COVID-19 pandemic. In Q1 FY22, company has registered a TOI of Rs. 4.00 crore, which is marginally lower than TOI of Rs. 4.17 crore reported in Q1 FY21.

#### **Loss on PAT level; erosion of net worth**

Due to disruption in operations during pandemic, AIL has incurred loss of Rs. 2.01 crore as on March 31, 2021 as compared to profit of Rs. 2.12 crore as on March 31, 2020 and consequently its net worth has deteriorated from Rs. 15.33 crore as on March 31, 2020 to Rs. 13.23 crore as on March 31, 2021.

#### **Moderately leveraged capital structure and effect of low cash accruals**

The capital structure of the company remained moderately leveraged with overall gearing at 1.13x as on March 31, 2021 (vis-à-vis 1.37x as on March 31, 2020) owing to scheduled debt repayment of Rs. 4.63 crore in FY21. Although, Total Debt/GCA (TDGCA) has significantly deteriorated to 5.03x as on March 31, 2021 (vis-à-vis 2.45x as on March 31, 2020). This was due to

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

low gross cash accruals of Rs. 2.99 crore as on March 31, 2021 (vis-à-vis Rs. 8.56 crore as on March 31, 2020), which is quite low as compared to total debt repayment of Rs. 6.69 crore in FY22. Due to reduced PBILDT, interest coverage indicator (PBILDT/interest) has also declined from 5.73x in FY20 to 2.69x in FY21.

#### ***Moderately working capital intensive nature of operations***

The operations of the company continue to remain working capital intensive in nature due to funds blocked in the debtors. The collection period increased to 149 days in FY21, which already stood high at 75 days in FY20. Consequently, operating cycle of the company has also elongated to 78 days in FY21 as compared to 35 days during FY20.

#### ***Highly competitive nature of industry characterized by intense competition***

Car rental business in India is currently dominated by the unorganized sector and the same is also penetrated by the organized players in recent years. AIL operates in highly competitive market marked by the presence of numerous players catering to the same market which has limited the bargaining power of the company. Hence, going forward, due to increasing level of competition and competitive rates, the profits margins are likely to be under pressure in the medium term.

#### **Key rating Strengths**

##### ***Experienced management and long track record of operations***

AIL was established in 1994 and has a track record of more than two decades in car rental business. The company has experienced and qualified management to carry out day-to-day operations having around 20 years of experience in this industry. On account of long track record of operations and experience of the promoters, the company has gained a reputation and has established good relationships with its customers.

##### ***Moderately diversified and reputed customer base***

The customer profile of the company primarily includes reputed customers across various industries viz. banks, travelling agencies, corporates etc. Moreover, the customer base also remained geographically diversified across various regions of India.

##### ***Satisfactory operating margin***

The profit margins of the company remained on the satisfactory level owing to service nature of industry. The PBILDT margin increased marginally from 16.63% in FY20 to 17.10% in FY21.

##### **Liquidity: Stretched**

The liquidity position is characterized by low free cash balance of Rs. 0.66 crore as on March 31, 2021, which has marginally improved to Rs. 0.79 crore as on July 30, 2021. Also, its working capital limit (Rs. 4.00 crore) during past 12 months ended July 2021 has remained unutilized, which provides liquidity backup. Further, the current ratio stood at comfortable level of 1.25x as on March 31, 2021.

Although, AIL has total debt repayment of Rs. 6.69 crore in FY22, which is quite high as compared to gross cash accruals of Rs. 2.99 crore as on March 31, 2021.

#### **Analytical approach: Standalone**

#### **Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Service Sector Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Complexity Levels of Rated Instruments](#)

#### **About the Company**

Autoriders International Limited (AIL) was established in 1994 to offer premium cars rental services. The directors of the company are Mr. Tapan Mukesh Patel, Mrs. Maneka Mulchandani, Mr. Gokulsingh Rajput and Mr. Shailendra Agarwal, and Mr. Ramachandran C. G. is the Chief Financial Officer of the company, each having good amount of experience in the industry. The company primarily deals in self-drive as well as chauffeur drive car rental services along with domestic and outbound tour management services to individuals as well as institutions. Currently company has around 243 cars in its fleet includes different type of cars viz. hatchback, sedan, SUVs etc. The company operates through its corporate office at Santacruz, Mumbai with branch offices located in Ahmedabad, Bangalore, Delhi, Chennai, Gurgaon, Hyderabad, Pune and Kolkata.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	58.83	20.17
PBILDT	9.78	3.45
PAT	2.12	-2.01
Overall gearing (times)	1.37	1.13
Interest coverage (times)	5.73	2.69

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE BB-; Stable
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE BB-; Stable

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable	-	1)CARE BB; Stable (24-Sep-20)	1)CARE BB; Stable (23-Aug-19)	1)CARE BB; Stable (21-Sep-18)
2.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE BB-; Stable	-	1)CARE BB; Stable (24-Sep-20)	1)CARE BB; Stable (23-Aug-19)	1)CARE BB; Stable (21-Sep-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Proposed fund based limits	Simple

**Annexure 5: Bank Lender Details for this Company**

[Click here to view Bank Lender Details](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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