

Celite Tyre Corporation

March 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.90	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	12.75	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	28.65 (Rs. Twenty-Eight Crore and Sixty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

CARE Ratings Ltd has been seeking information from Celite Tyre Corporation (CTC) to monitor the ratings vide e-mail communications/letters dated February 01, 2022, February 07, 2022, February 14, 2022, February 24, 2022, February 28, 2022, March 02, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on CTC's bank facilities will now be denoted as **CARE B-; Stable; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings for CTC continue to remain constrained on account of its modest scale of operations and moderate profitability, weak capital structure and debt coverage indicators. The ratings also continue to remain constrained on account of CTC's constitution as proprietorship firm and exposure of its profitability to volatility in prices of traded goods as well as foreign exchange rates. The ratings, however, continue to draw strength from the experience of the proprietor in the tyre trading industry, and its established distribution network.

Detailed description of the key rating drivers

At the time of last rating on March 08, 2021, the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Modest scale of operations and moderate profitability

During FY20, CTC reported growth of ~14% y-o-y in its total operating income (TOI) to Rs.73.11 crore, compared with TOI of Rs.64.23 crore in FY19, which was largely on account of increase in demand for its products. However, its TOI continued to remain modest during FY20. CTC's profitability continued to remain moderate marked by PBILDT margin of 6.99% for FY20, which declined by 183 bps from 8.82% for FY19 largely on account of increase in employee and other costs during the year. CTC's PAT margin continued to remain thin at 1.07% for FY20 (1.47% for FY19) on account of its high interest costs.

Weak capital structure and debt coverage indicators

CTC's overall gearing improved during FY20, however continued to remain high, marked by overall gearing of 3.39x as on March 31, 2020 (5.02x as on March 31, 2019). The improvement in overall gearing was largely on account of decline in unsecured loans from related parties during FY20. CTC's debt coverage indicators continued to remain weak, marked by total debt /GCA continued of 28.67x as on March 31, 2020 (27.09x as on March 31, 2019) and its interest coverage of 1.24x for FY20 (1.28x for FY19).

Vulnerability of profitability to adverse fluctuation in forex rates

CTC is exposed to unfavourable movement in forex rates due to its import of tyres, which forms about 50% of its total purchase. Also, as CTC does not have any exports, there is no natural hedge for its import payables. Further, despite sizeable exposure to forex risk, it does not have any active hedging policy in place, underlining the inherent risk.

Proprietorship nature of its constitution

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

CTC's constitution as a proprietorship firm restricts its overall financial flexibility in terms of limited access to external funds for business requirements. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor.

Key Rating Strengths

Extensive experience of proprietor

Mr. Kamlesh Mehta, proprietor of CTC, has more than two decades of experience in the tyre trading industry. He looks after overall business operations of the entity and takes all the key decisions. Mr. Kamlesh Mehta is also associated with another group entity 'Celite Tyre Private Limited' (CTPL), which trades in premium branded tyres.

Established distribution network

CTC is the authorized distributor for various brands of tyres such as Achilles, Goodyear, Birla, Apollo and JK tyres. These tyres find application in diverse industries such as automobile, mining, cement, steel and infrastructure. CTC operates from its warehousing facility located at Vadodara with a storage capacity of more than 50,000 tyres and has distribution network as well as stocking points spread across 14 different locations in India. With its established distribution network, CTC sells off the road (OTR) tyres directly to the end customers while commercial vehicle tyres are sold through dealers as well as own sales network.

Analytical Approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Wholesale Trading](#)

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

About the Firm

Established in 1996, CTC is a Vadodara, Gujarat, based proprietorship firm established by Mr. Kamlesh Mehta. CTC is the authorized distributor for various tyres such as off the road (OTR) tyres, commercial vehicle tyres and passenger vehicle tyres. CTC operates from its warehousing facility located at Vadodara and has distribution network as well as stocking points spread across India. Mr. Kamlesh Mehta is also associated with another group entity 'Celite Tyre Private Limited', which trades in premium branded tyres.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	73.11	NA	NA
PBILDT	5.11	NA	NA
PAT	0.78	NA	NA
Overall gearing (times)	3.39	NA	NA
Interest coverage (times)	1.24	NA	NA

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this firm: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.52	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	11.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	1.75	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	September 2025	2.38	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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	13.52	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (08-Mar-21) 2)CARE D (29-May-20)	1)CARE B; Stable (09-Oct-19) 2)CARE D (19-Sep-19) 3)CARE D; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Apr-18)
2	Non-fund-based - ST-BG/LC	ST	11.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (08-Mar-21) 2)CARE D (29-May-20)	1)CARE A4 (09-Oct-19) 2)CARE D (19-Sep-19) 3)CARE D; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (03-Apr-18)
3	Non-fund-based - ST-BG/LC	ST	1.75	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (08-Mar-21) 2)CARE D (29-May-20)	1)CARE A4 (09-Oct-19) 2)CARE D (19-Sep-19) 3)CARE D; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (03-Apr-18)
4	Fund-based - LT-Term Loan	LT	2.38	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (08-Mar-21)	-	-

*Issuer did not cooperate; Based on best available information

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

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this firm

To view the lender wise details of bank facilities please [click here](#)

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@careedge.in for any clarifications.

Contact us**Media Contact**

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Group Head Name: Shachee Nakul Vyas
Group Head Contact no.: 8511182592
Group Head Email ID: shachee.tripathi@careedge.in

Relationship Contact

Name: Deepak Purshottambhai Prajapati
Contact no.: +91-79-4026 5656
Email ID: deepak.prajapati@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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