

Bhatia Corporation Private Limited

February 11, 2022

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	55.25	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	54.75	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	110.00 (Rs. One Hundred Ten Crore Only)		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bhatia Corporation Private Limited (BCPL) to monitor the ratings vide e-mail communications/letters dated September 16, 2021, February 03, 2022 among others 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 has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on BCPL's bank facilities will now be denoted as **CARE BB+; Stable / 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.

The ratings assigned to the bank facilities of BCPL continue to remain constrained on account of its moderate financial risk profile marked by thin profitability margins, moderate capital structure and debt coverage indicators, limited bargaining power with its principal- Maruti Suzuki India Limited (MSIL) and dependency of the company's performance on the fortunes of its principal. The ratings also take into account intense competition within the automobile dealership industry along with high exposure to the group entities.

The ratings, however, derive strength from the vast experience of the promoters in the automobile dealership business along with its wide dealership network and established market position in its area of operation. The ratings also factor in long and established relationship with leading Original Equipment Manufacturer (OEM) i.e. MSIL in the Passenger Vehicle (PV) segment as well as moderate scale of its operations.

Detailed description of the key rating drivers

At the time of last rating on March 22, 2021 the following were the rating strengths and weaknesses (updated for the information available from the client which is audit report of FY21):

Key Rating Weaknesses

Limited bargaining power with principal automobile manufacturer leading to thin profitability margins

BCPL's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin on products is set at a particular level by the principal manufacturer thereby restricting the company to earn incremental profitability.

The profitability of BCPL remained thin; though the same has improved with PBILD margin of 6.11% in FY21 [PY: 4.93%]. Also, PAT margin improved to 1.65% in FY21 [PY: 1.09% in FY20].

Moderate capital structure and debt coverage indicators along with high exposure to group entities

The capital structure of BCPL remained moderate with an overall gearing of 1.34 times as on March 31, 2021 which improved from 1.84 times as on March 31, 2020 on account of lower working capital borrowings as on balance sheet date coupled with augmentation of tangible net worth on the back of accretion of profits into reserves. Debt coverage indicators of the company remained moderate marked by total debt to GCA of 6.84 times as on March 31, 2021 which improved from 9.58 times as on March 31, 2020 on account of lower total debt as on March 31, 2021. Furthermore, PBILD interest coverage stood moderate at 1.96 times in FY21 [PY: 1.71 times].

The company has provided short term loans and advances of Rs.25 crore as on March 31, 2020 to its group entity, Shubham Infra Projects Private Limited (SIPL). These advances are interest bearing and have been given in the form of security deposits to SIPL which has provided its property on lease to BCPL and BCPL is running Nexa showroom on it.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE publications

Intense competition in the auto dealership industry

Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like MSIL, Tata Motors, Hyundai, Honda, Toyota etc. in the passenger vehicle segment. Original Equipment Manufacturers (OEMs) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global players in the Indian market has further intensified the competition. Hence, OEMs offer various discount schemes to attract customers. Due to very high competition in the industry, dealers are also forced to pass on discounts and exchange schemes to attract customer as this is a volume driven business. Dealers' fate is also linked to the industry scenario and performance of OEMs. Hence, performance and prospects of BCPL is highly dependent on MSIL being its principal.

Key Rating Strengths

Vast experience of the promoters in the automobile dealership business

The overall activities of BCPL are managed by its experienced directors with Mr Ram J Bhatia being the Chairman. Mr Ram J Bhatia has more than three decades of experience in similar line of business. Under his guidance, BCPL was awarded with dealership of MSIL in 1986. Due to longstanding experience in the automobile dealership business and long association with MSIL, the promoter group has been able to increase their dealership network across 6 districts of Rajasthan. Mr Ram J Bhatia is ably supported by the other four directors who are family members looking after operations, administration, marketing & sales activities of the company.

Established track record of operations with long standing association with its principal

BCPL has a long standing association with its principal MSIL since 1986. BCPL operates 10 3S dealership outlets and 14 R-outlets (sales only) of MSIL across 6 districts of Rajasthan i.e. Kota, Bundi, Baran, Jhalawar, Pratapgarh and Chittorgarh with total employee strength of around 1800 personnel. The company also operates 3 NEXA and 2 commercial outlets at Kota, Chittorgarh and Jhalawar along with 5 workshops in Kota. Moreover, the company also has presence in the pre-owned car segment through 3 true value outlets located at Kota and Jhalawar; which acts as a catalyst for new sales. BCPL has an integrated mode of operations, functioning in various verticals of automobile dealership business to provide one stop solution to its customers. It has service stations, spare parts distribution, vehicle finance and insurance which provide the customer with complete solution at single point.

Moderate scale of operations

Scale of operations of BCPL marked by its total operating income (TOI) remained moderate at Rs.477.95 crore in FY21 which declined by around 11% on y-o-y basis.

Inventory management is crucial for BCPL as it needs to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage. The average inventory holding period of the company stood at 40 days in FY21 (44 days in FY20). Further, the operating cycle of the company remained moderate at 54 days in FY21 which is in line with previous year. Further, the average of maximum and average utilisation of working capital limits of the company remained at 95% and 86% respectively during the trailing 12 months ended January, 2021. Further, BCPL has unencumbered cash and cash equivalent of Rs.24.03 crore as on March 31, 2021. Cash flow from operating activities decreased from Rs.60.12 crore in FY20 to Rs.29.82 crore in FY21 due to increase in inventory level as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology - Auto Dealerships](#)

[Financial Ratios - Non-Financial Sector](#)

[Criteria for short term instruments](#)

About the Company

Bhatia Corporation Private Limited (BCPL, CIN: U00374RJ2006PTC022372) was initially formed as a partnership concern in the name of 'Bhatia & Company' in 1979. Later in 2006, the constitution was changed to private limited and it got its current name. Initially, the company was engaged in dealership of Kirloskar tractors and was awarded dealership of Maruti Suzuki India Limited (MSIL) for passenger cars in 1986. Over the years, BCPL has grown by opening new outlets across 6 districts of Rajasthan and it currently operates 10 dealership outlet equipped with 3S (Sales, service and spare parts) facilities, 14 R-outlets, 5 workshop, 3 true-value outlets, 3 NEXA and 2 commercial vehicle (super carry) outlet across 6 districts of Rajasthan.

Brief Financials (Rs. crore)	FY20 (A)	FY20 (A)	9MFY22 (UA)
Total operating income	539.77	477.95	NA
PBILDT	26.62	29.19	NA
PAT	5.87	7.87	NA
Overall gearing (times)	1.84	1.34	NA
Interest coverage (times)	1.71	1.96	NA

A: Audited; UA: Unaudited; 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 facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

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

Annexure-1: Details of 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	-	-	-	-	23.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits	-	-	-	-	43.75	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	11.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	February, 2029	32.25	CARE BB+; Stable; ISSUER NOT COOPERATING*

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	23.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (22-Mar-21) 2)CARE BB+; Stable; ISSUER NOT COOPERATING * (06-Apr-20)	1)CARE BB+; Stable (05-Aug-19) 2)CARE BB+; Stable; ISSUER NOT COOPERATING * (02-Apr-19)	-
2	Fund-based - ST-Working Capital Limits	ST	43.75	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A4+ (22-Mar-21) 2)CARE A4+; ISSUER NOT COOPERATING * (06-Apr-20)	1)CARE A4+ (05-Aug-19) 2)CARE A4+; ISSUER NOT COOPERATING * (02-Apr-19)	-
3	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A4+ (22-Mar-21) 2)CARE A4+; ISSUER NOT COOPERATING * (06-Apr-20)	1)CARE A4+ (05-Aug-19) 2)CARE A4+; ISSUER NOT COOPERATING * (02-Apr-19)	-
4	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (22-Mar-21) 2)CARE A4+; ISSUER NOT COOPERATING * (06-Apr-20)	1)CARE A4+ (05-Aug-19) 2)CARE A4+; ISSUER NOT COOPERATING * (02-Apr-19)	-
5	Fund-based - LT-Term Loan	LT	32.25	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (22-Mar-21) 2)CARE BB+; Stable; ISSUER NOT COOPERATING * (06-Apr-20)	1)CARE BB+; Stable (05-Aug-19) 2)CARE BB+; Stable; ISSUER NOT COOPERATING * (02-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities: None**Annexure-4: Complexity level of various instruments rated for this Company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Working Capital Limits	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this CompanyTo 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. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careedge.in

Analyst Contact

Group Head Name: Mr. Akhil Goyal
Group Head Contact no.: +91-85111 90015
Group Head Email ID: akhil.goyal@careedge.in

Relationship Contact

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

About CARE Ratings:

About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

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.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**