Autoczars

January 15, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	6.50 (Rs. Six Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 23, 2019 placed the ratings of AUTOCZARS under the 'issuer non-cooperating' category as AUTOCZARS had failed to provide information for monitoring of the rating. AUTOCZARS continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated December 16, 2020, December 30, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

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

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by AUTOCZARS with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing by modest though growing scale of operations, Leveraged Capital Structure,Weak Coverage Indicators, Working capital intensive in nature and Competitive nature of the industry.

The ratings, however, continue to take comfort from experienced management and Moderate profitability margins.

Detailed description of the key rating drivers

At the time of last rating on December 23, 2019 the following were the rating weaknesses and strengths:

<u>Detailed description of the key rating drivers</u>

<u>Key Rating Weaknesses</u>

<u>Modest though growing scale of operations</u>

The scale of operations of the firm has remained small as marked by a total operating income and gross cash accruals of Rs.51.77crore and Rs.0.58crore respectively during FY18 (FY refer to April 01 to March 31). Furthermore, the firm's networth base was relatively small at Rs.5.06 crore as on March 31, 2018. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. AutoCzars's total operating income grew from Rs.34.23 crore in FY16 to Rs.51.77 crore in FY18 reflecting a compounded annual growth rate of 22.98% owing to higher quantity sold.

<u>Leveraged Capital Structure and Weak Coverage Indicators</u>

The capital structure of the firm continues to remain leveraged owing higher dependence on the external debt as marked by overall gearing ratio which remained around 2x as on the balance sheet date of the past two financial years i.e. FY17-FY18. The coverage indicators of the firm continues to remain weak as marked by interest coverage and total debt to GCA of 1.67x and 16.92x in FY18 on account of high interest cost led by higher debt levels.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

Working capital intensive in nature

Operating cycle of the firm continues to remain moderate at 55 days in FY18 however, the operations of the firm continues to remain working capital intensive in nature on account of high dependence on external borrowings to meet on working capital requirements. The firm procures the spare parts from Maruti Suzuki India Limited and gets a credit period of around one month resulting in average creditor days of 27 days in FY18. The firm maintains an adequate level of inventory to meet the immediate demand of the customer resulting in an average inventory holding 17 days in FY18. The firm offers an average credit period of around two months to its customers resulting in average collection period of 65 days in FY18. A credit period extended to the customer increases Auto Czars' dependence on working capital limits to make payment to its supplier resulting in almost full utilization of its average working capital limits for the past twelve months ending September, 2018.

Competitive nature of the industry

The firm faces stiff competition from the other organized and unorganized sector. The firm is comparative a small players catering to a limited market which has restricted the bargaining power of the firm and has exerted pressure on its margins.

Key Rating Strengths

Experienced management

The operations of AutoCzars are currently being managed by Mr. Amit Jain & Mr. Vishnu Bhargava. Mr. Amit Jain & Mr. Vishnu Bhargava are postgraduates by qualification. Mr. Vishnu Bhargava has an experience of more than three and a half decades in trading of auto parts through his association with this entity and Mahindra & Mahindra Limited. Mr. Amit Jain has experience of around two and a half decades in trading industry through his association with this entity and Maruti Suzuki India Ltd.

Moderate profitability margins

The profitability margins are generally on the lower side in the trading nature of the business due to intense market competition given the highly fragmented nature of the industry. Considering the trading nature of the firm, the profitability margins marked by PBILDT and PAT continues to remain moderate around 3% and 1% respectively for the past two financial years i.e. FY17-FY18.

Analytical Approach: Standalone

Applicable criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
Rating Methodology – Organized Retail Companies

About the Firm

Delhi based Auto Czars was established as a partnership firm in 2008 and is currently being managed by Mr. Amit Jain and Mr. Vishnu Bhargava as the partners sharing profit and losses in the ratio 49% and 51% respectively. The firm is an authorized distributor of spare parts of Maruti Suzuki India Limited in West Delhi. The customer base comprises of authorized service centers and retailers and workshops. Auto Czars also operates ten retail outlets in and around West Delhi.

Non BFSI

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	41.02	51.77
PBILDT	1.29	1.44
PAT	0.29	0.47
Overall gearing (times)	2.60	1.94
Interest coverage (times)	1.45	1.67

A: Audited

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review and has placed the rating to Issuer not cooperating as per press release dated December 31, 2019.
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

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	-	-	-	3.50	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A4; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	3.50	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (23-Dec-19)	1)CARE B+; Stable (31-Oct-18)	1)CARE B+; Stable (26-Dec-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (23-Dec-19)	1)CARE A4 (31-Oct-18)	1)CARE A4 (26-Dec-17)

**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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

***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.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
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