

Akanksha Automobiles (Rudrapur) Private Limited

March 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	69.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	11.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable / CARE A4 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Akanksha Automobiles (Rudrapur) Private Limited (AAPL) to monitor the rating(s) vide e-mail communications dated February 28, 2024, February 29, 2024, March 01, 2024, among others and numerous phone calls. However, despite our repeated requests, AAPL has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating(s) on the basis of best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of TSSPL 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(s).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by AAPL with the CARE Ratings Ltd.'s efforts to undertake a review of the rating(s) outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating takes into consideration the constraints relating to AAPL modest scale of operations, leveraged capital structure are weak debt coverage indicators. Furthermore, the rating is also constrained by pricing constraints and moderate operating cycle, margin pressure arising out of competition from various auto dealers in the market, and cyclical nature of the auto industry. The ratings, however, derives comfort from experienced promoters and management, and moderate profitability margins.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on March 31, 2023, the following were the rating strengths and weaknesses. (Updated based on limited information available from Registrar of Companies)

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations- The scale of operations of the company stood modest as marked by total operating income and gross cash accruals of Rs. 238.30 crore and Rs 3.96 crore, respectively, during FY23 as against Rs. 212.10 crore and Rs. 3.58 crore during FY22. The increase in total operating income is on account of higher number of vehicles sold. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Leveraged capital structure and weak debt coverage indicators- The capital structure of the company stood leveraged for the past three years (FY21-FY23) on account of high reliance on external borrowings to fund the incremental working capital requirements of business against relatively small net worth base. The overall gearing ratio stood leveraged at 2.87x as on March 31, 2023 as compared to 2.44x as on March 31, 2022. Further, on account of high debt levels leading to high interest cost and

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

moderate profitability margins, the debt coverage indicators of the company stood weak as marked by interest coverage ratio and total debt to GCA and stood at 1.47x and 20.25x respectively, in FY23 as against 1.50x and 17.76x respectively, in FY22.

Moderate operating cycle- The operating cycle stood moderate at 87 days in FY23 as against 72 days in FY22. The operating cycle elongated on account of increase in average inventory holding period and average receivable days. The company needs to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility. The average inventory holding days of the company stood at 44 days in FY23. The sales to customers are made on "Cash and Carry" basis however, around 30% of the vehicles are bought on vehicle financing basis through banks and NBFCs. The same results in a collection period of around 45 days. Further, the company procures passenger cars by making full advance payment to OEM. Besides this, the large working capital requirements are met through bank borrowings which remained around 95% utilized for the last 12 months ended February 2024.

Pricing constraints and margin pressure arising out of the competition from various auto dealers in the market -

Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Mahindra & Mahindra Limited (MML), Tata Motors, Hyundai Motor Company, Honda Motor Company, etc. in the passenger vehicle segment. AAPL's operations are geographically restricted to Uttarakhand. The Original Equipment Manufacturers (OEMs) are also encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. The entry of global OEMs in the Indian market has further intensified the competition. Hence, OEMs have to 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 customers and capture market share. The dealers' fate is also linked to the industry scenario and performance of OEMs. AAPL's prospects are governed directly by the performance of Maruti Suzuki India Limited (MSIL). Any downturn in its performance or change in nature of agreement with dealers will directly affect the financial and operating performance of AAPL.

Cyclical nature of the auto industry - The automotive sector is dependent on economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. A hike in interest rate increases the costs associated with the purchase leading to purchase deferral. The fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The policies implemented by the government also have a direct bearing on the sale of passenger vehicles.

Key strengths

Experienced promoters and management - Mr. Puneet Agarwal, Mr. Ankit Mittal and Mr. Om Prakash Mittal are the directors of the company, and they collectively look after the overall operations of the company. All of them are postgraduates by qualification. Mr. Puneet Agarwal and Mr. Ankit Mittal are relative of Mr. Omprakash Mittal and have more than one and a half decades of experience in auto dealership industry. The directors have adequate acumen about various aspects of business which is likely to benefit AAPL in the long run.

Moderate profitability margins - The profitability margins of the company as marked by PBILDT and PAT margins stood moderate for the last three years (FY21- FY23). The PBILDT and PAT margin of the company stood at 5.63% and 0.79% during FY23 as against 5.28% and 0.61% during FY22. The improvement in profitability is on account of decline in overheads.

Liquidity: Stretched

The liquidity position of the company remained stretched on account of high utilisation of the working capital limits are almost 95% utilized for the past 12 month's period ending February 2023. However, company's liquidity profile is also supported by comfortable cash and bank balance which stood at Rs.4.32 crore as on March 31, 2022.

Assumptions/Covenants- Not applicable

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Rudrapur, Uttarakhand based Akanksha Automobiles (Rudrapur) Private Limited (AAPL) was incorporated in 2007. The company is managed by Mr. Omprakash Mittal along with two other directors namely Mr. Puneet Agarwal and Mr. Ankit Mittal. Both the directors are relative of Mr. Omprakash Mittal and look after the overall management of the company. The company is an authorized dealer of Maruti Suzuki India Limited in Uttarakhand catering in the states of Uttarakhand. The company is engaged in the sale of passenger vehicles (PV), servicing of vehicles and sale of spare parts. The revenue share sales of vehicles is approximately of 81.90%, 8.32% is from sale of parts, accessories, oil and lubricant, 1.27% is from used cars and remaining 8.51% from sales and service promotion of vehicles. Further, as on date the company operates 3S facility (Sales, spares and Services) and has 12 showrooms and 13 workshops located in district of Champawat and Udham Singh Nagar. Four showrooms and workshops are owned, and rest are rented. Further, the company has 11 workshops and showrooms of Arena and 1 workshop and showroom is for Nexa.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	11MFY24(UA)
Total operating income	212.10	238.30	NA
PBILDT	11.19	13.41	NA
PAT	1.30	1.88	NA
Overall gearing (times)	2.44	2.87	NA
Interest coverage (times)	1.50	1.47	NA

A: Audited UA: Unaudited ;NA: Not available Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	21.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December 2027	19.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit		-	-	-	11.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	19.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-

2	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-
3	Fund-based - LT-Electronic Dealer Financing Scheme	LT	21.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-
4	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-
5	Fund-based - LT/ST-Cash Credit	LT/ST	11.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING *	1)CARE BB; Stable / CARE A4 (03-Apr-23)	-	1)CARE BB; Stable / CARE A4 (09-Mar-22)	-
6	Fund-based - LT-Electronic Dealer Financing Scheme	LT	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-
7	Fund-based - LT-Electronic Dealer Financing Scheme	LT	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-
8	Fund-based - LT-Electronic Dealer Financing Scheme	LT	-	-	1)Withdrawn (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
4	Fund-based - LT-Term Loan	Simple
5	Fund-based - LT/ ST-Cash Credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated-Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings 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	Analytical Contacts
<p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Sajan Goyal Director CARE Ratings Limited Phone: 91-120-4452017 E-mail: sajan.goyal@careedge.in</p> <p>Shivam Tandon Lead Analyst CARE Ratings Limited Phone: 91-120-4452072 E-mail: shivam.tandon@careedge.in</p> <p>Parvdeep Singh Rating Analyst CARE Ratings Limited E-mail: Parvdeep.Singh@careedge.in</p>

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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