

Auto Carriage Private Limited

January 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	54.96 (Enhanced from 52.89)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	1.00	CARE BB+; Stable / CARE A4+	LT rating and Stable outlook assigned and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Auto Carriage Private Limited (ACPL) takes into consideration the improvement in financial profile of the company marked by improvement in Total operating income (TOI) in FY24 and H1FY25.

The ratings are constrained by the company's limited geographical presence and small scale of operation, moderate capital structure and weak debt coverage indicators, limited bargaining power with its fortunes linked to the performance of Original Equipment Manufacturer (OEM), and inherent competitive and cyclical nature of the auto industry.

The ratings, however, derive strength from the established track record and extensive experience of promoters, satisfactory financial performance, and satisfactory operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in scale of operation beyond Rs.600 crore along and operating margins (PBILDT margin) at around current level on a sustained basis.
- Improvement in capital structure with total outside liabilities (TOL)/tangible network (TNW) below 3.0x on sustained basis.
- Improvement in debt coverage indicators marked by total debt (TD)/gross cash accruals (GCA) below 6.00 times on sustained basis.

Negative Factors

- Decline in scale of operations below Rs.200 crore and operating margins below 2.50% on a sustained basis.
- Deterioration in the capital structure as marked by TOL/TNW above 6.0x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the experience of the promoters in the auto dealership business and improving market share of the principal.

Detailed description of key rating drivers:

Key weaknesses

Limited geographical presence and small scale of operations: The company's scale of operations remained small over the years due to its limited geographical presence as the company has the dealership of OEM for passenger vehicles in West Bengal only. As a result of small scale of operations, the company does not benefit from economies of scale and during financial stress it may impact the business as compared to other companies in the same field who have various showrooms across regions.

Moderate capital structure and weak debt coverage indicators: Although the capital structure of the company improved but the same remained moderate marked by overall gearing and TOL/TNW at 3.39x (P.Y.: 3.84x) and 4.14x (P.Y.: 4.88x) as on March 31, 2024, respectively. This improvement was due to increase in net worth attributable to accretion of profits to the reserves. Also, debt coverage indicators though improved marginally, remained weak with TD/GCA of 10.77x in FY24 as against

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

11.94x in FY23. Going forward, the capital structure and debt coverage indicators are expected to improve with gradual repayment of debt and accretion of profits to reserve.

Restricted bargaining power with Original Equipment Manufacturer (OEM) with its fortunes linked with growth plans of OEM: ACPL's business model is largely in the nature of trading wherein profitability margins are moderate. Moreover, dealers have less bargaining power over principal manufacturers. ACPL's performance is linked to the performance of its principal. The financial risk profile of the company has a high degree of correlation with the performance of OEM's vehicles in the market and their ability to launch new products. However, given that OEM is one of the market leaders in passenger vehicles (PV) segment, the off-take risk is moderated to some extent.

Inherent competition and cyclical nature of the auto industry: The company remains exposed to competition from the products of other OEM's and dealers operating in the same region. To capture the market share, the auto dealers offer better buying terms like allowing discounts on purchases. Accordingly, the company has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact on the earning capacity of the company. However, the company's association with its customers, its established network helps it to sustain the competition to an extent and maintain its strong market position in the region. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. The company thus faces significant risks associated with the cyclical nature of the auto industry.

Key strengths

Established track record and extensive experience of promoters: ACPL has been engaged in automobile dealership business since last 1996. Over the years ACPL has increased its presence in West Bengal. It operates service stations, sells spare parts, and also has tie-ups for vehicle finance and insurance. This allows it to provide a comprehensive range of services to the customer at a single point.

Improvement in financial performance in FY24 and H1FY25: The total operating income (TOI) of the company improved from Rs 281.09 crore in FY23 to Rs 368.90 crore in FY24 showing a growth of 31.24%. The scale of operations has increased due to increase in volume growth of 22% and increased demand of passenger vehicles of Mahindra and Mahindra. The sale of units increased from 2518 units in FY23 to 3073 units in FY24. The PBILDT margins have remained stable and sustained at 2.54% in FY24 (FY23: 2.80%).

In H1FY25, the company has achieved turnover of around Rs.195 crore. In H1FY25, the company has sold 1590 units.

Satisfactory operating cycle: The operating cycle of the company continued to remain satisfactory and stood at 48 days as on March 31, 2024 (P.Y.: 46 days). The average collection period stood at 19 days in FY24 (P.Y.:18), as the sale are either done on "Cash and Carry basis" or through vehicle financing from banks/ financial institutions and processing of such vehicle loans takes marginal time. On the other hand, due to limited bargaining power with the OEM average creditor days remain low at 2 days for FY24 (P.Y.: 2 days). Inventory management is crucial for ACPL as it is required to stock different models of vehicles and spares in the showrooms to ensure adequate availability and visibility, thus leading to moderate levels of inventory. The operating cycle of the company is expected to remain range bound in ensuing years.

Liquidity: Adequate

The company has generated GCA of Rs. 4.52 crore as on 31 March 2024 against repayment obligations of Rs 1.45 crore in FY24. In FY25, it is expected to generate sufficient cash accruals against repayment obligations of Rs 1.28 crore. The average utilisation of the fund-based limits (including inventory financing) has been around 90% for last 12 months ended October 2024. Further, the company has free cash & bank balances to the tune of Rs. 0.92 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated in May 1996, ACPL is promoted by Kolkata based Himatsingka family. ACPL is engaged in the business of auto dealership for passenger vehicles of Mahindra & Mahindra Limited (rated CARE AAA; stable/A1+) since 2007 onwards in Kolkata, West Bengal. ACPL also offers, Services and Spare parts.

Currently, day-to-day affair of the company is looking after by Mr Nitin Himatsingka, supported by a team of experienced professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	281.09	368.90	195.00
PBILDT	7.87	9.35	5.62
PAT	2.61	3.22	2.50
Overall gearing (times)	3.84	3.39	-
Interest coverage (times)	2.26	2.40	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork Ratings has conducted review on the basis of best available information and has classified ACPL under 'Issuer Not Cooperating' category vide its press release dated August 02, 2024. The reason provided by Brickwork Ratings is non-furnishing of requisite information for monitoring of ratings.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	53.50	CARE BB+; Stable
Non-fund-based-LT/ST		-	-	-	1.00	CARE BB+; Stable / CARE A4+
Term Loan-Long Term		-	-	December, 2026	1.46	CARE BB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Non-fund-based-LT/ST	LT/ST	1.00	CARE BB+; Stable / CARE A4+	1)CARE A4+ (02-Apr-24)	1)CARE A4+ (24-Jan-24)	1)CARE A4 (30-Dec-22)	-
2	Fund-based - LT-Working Capital Limits	LT	53.50	CARE BB+; Stable	1)CARE BB+; Stable (02-Apr-24)	1)CARE BB+; Stable (24-Jan-24)	1)CARE BB; Stable (30-Dec-22)	-
3	Term Loan-Long Term	LT	1.46	CARE BB+; Stable	1)CARE BB+; Stable (02-Apr-24)	1)CARE BB+; Stable (24-Jan-24)	1)CARE BB; Stable (30-Dec-22)	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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