

Anand Motor Agencies Limited

March 12, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	24.59	CARE BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	3.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A3 (A Three) on the basis of best available information
Total	27.59 (Rupees twenty seven crore and fifty nine lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Anand Motor Agencies Limited to monitor the ratings vide e-mail communications/letters dated March 02, 2020, February 28, 2020, February 18, 2020 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 rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Anand Motor Agencies Limited's bank facilities will now be denoted as **CARE BB/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 have been revised on account of absence of key financials for the current year to assess the operational performance and liquidity on the back of sluggish demand in auto segment, working capital intensive nature of operations, limited bargaining power with original equipment manufacturers, inherent competition and cyclical nature of auto industry. However, the ratings derive comfort from experienced promoters, established track record of operations in the auto industry, authorized dealership of Maruti Suzuki India Limited which is a dominant player in the passenger car market in India.

Detailed description of the key rating drivers

*At the time of last rating on April 03, 2019 the following were the rating weaknesses and strengths.
(Updated for the information available with ministry of corporate affairs for FY19)*

Key Rating Weaknesses

Financial Risk Profile

In FY19, the total income of the company remained flat at Rs.256.51 crore (PY: Rs.256.74 crore), however PBILDT margin improved to 3.17% (PY: 3.11%). Furthermore, PAT margin remained low in the range of 0.55%-0.65% during past three financial years (FY17-FY19) mainly on account of trading nature of the business which is inherent to the automobile dealership business. The capital structure of AMAL remained highly leveraged with an overall gearing of 4.38 times as on March 31, 2019 (PY: 3.09x) owing to higher CC utilization as on March 31, 2019 and lower net worth base. Further, debt coverage indicators deteriorated marked by total debt to GCA of 17.00 times as on March 31, 2019 (PY: 11.19 times). Majority of the debt comprise of working capital borrowings of Rs.46.38 crore as on March 31, 2019 (PY: Rs.24.94 crore) out of the total debt to the tune of Rs.54.75 crore. The high working capital is primarily required to fund inventory which is inherently high in the automobile dealership business and unsecured loans from promoters to the extent of Rs.6.78 crore (PY: Rs.7.37 crore). Further, in the absence of key financial figures for the current year, the operational performance and

¹Complete 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

liquidity of the company is unascertainable given the ongoing sluggish demand and weak industry scenario in the automobile segment.

Working capital intensive nature of operations

Inventory management is crucial for AMAL as it needs to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage. AMAL receives inventory either against advances or on cash payments to its principal i.e. MSIL. The average inventory period of the company stood at 42 days in FY19 as against 28 days in FY18. Since, majority of the vehicles are financed by banks/financial institution and the processing of such vehicle loans takes up marginal time, the average collection period of the company stood at 19 days in FY19. The credit period availed for spares stood at around 7 days in FY19.

Limited bargaining power with OEMs

AMAL's business model is largely in the nature of trading wherein profitability margins are moderate. Moreover, dealers have less bargaining power over principal manufacturer. In order to capture the market share, the auto dealers' offers better buying terms like allowing discounts on purchases. Such discounts offered to customers create margin pressure.

Inherent competition and cyclical nature of the auto industry

AMAL is exposed to competition from the products of other OEM's and dealers operating in the same region. Accordingly, AMAL has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's long association with its clients, its established network helps it to sustain the competition 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 the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Key Rating Strengths

Experienced Promoters

The overall management of AMAL is looked after by Mr. Jitendra Kumar Agarwalla (Managing Director) who has an experience of around 47 years in the automobile dealership business. He commenced his career with dealership of commercial vehicles of Ashok Leyland. Subsequently in 1984, AMAL was awarded dealership of MSIL. Due to longstanding experience in the automobile dealership business and long association with MSIL, the promoter has been able to increase their dealership network. Mr. Jitendra Kumar Agarwalla is ably supported by his son Mr. Ashish Agarwalla who has experience of around 12 years in automobile dealership business.

Established track record of operations

AMAL is engaged in automobile dealership business for 48 years and has a long standing association of 32 years with its principal MSIL. AMAL currently operates 5 3S (sales, service and spares) dealership outlets of MSIL (3 at Lucknow and one each at Bhabhara and Balarampur) out of which 2 are NEXA showrooms. Moreover, the company also has presence in the pre-owned car segment through 2 true value outlets which are located within the existing showrooms (one each at Lucknow and Bhabhara). AMAL 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, and tie ups for vehicle finance and insurance which provide the customer with complete solution at single point.

Authorized dealer of Maruti Suzuki India Ltd. (dominant player in Indian passenger vehicle market) AMAL is the authorized dealer of MSIL which has been the market leader in passenger car segment for two and half decades. MSIL offers a wide range of cars across different segments includes 15 brands and over 150 variants. MSIL has wide and established distribution network and a network of service centers across India which provides it a competitive advantage over its peers.

Analytical approach: Standalone

Applicable Criteria

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

[CARE's criteria on assigning outlook and credit watch to credit ratings](#)

[CARE's policy on Default recognition](#)

[CARE's criteria on Short term ratings](#)

[Financial Ratios-Non Financial sector](#)

About the Company

Anand Motor Agencies Ltd. (AMAL) was incorporated in October, 1969 as a private limited company and was converted into public limited company in August, 1980. The company was promoted by Shri A.P. Agarwalla and was subsequently taken over

by his son Mr. Jitendra Kumar Agarwalla. Initially AMAL was an authorized dealer of commercial vehicles of Ashok Leyland. In 1984 the company became an authorized dealer of passenger vehicles of Maruti Suzuki India Ltd. and is engaged in the sale of vehicles, spare parts and servicing of vehicles. Further In 2003, the company also became an authorized dealer of 'Maruti True Value' and started dealing in pre-owned cars at its true value outlet. The company owns Five showrooms (3S - sales, service and spare-parts) with attached workshop in Uttar Pradesh (3 at Lucknow and one each at Bhaich and Balarampur) including a new and exclusive premium car showroom in Lucknow under MSIL's NEXA brand for selling premium Maruti cars like S-Cross and Baleno. Also, the company owns 2 True value outlet (one each at Lucknow and Bhaich) AMAL deals in passenger vehicles (such as Alto, Swift, Dzire, Ciaz).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	256.74	256.51
PBILDT	7.99	8.12
PAT	1.41	1.40
Overall gearing (times)	3.09	4.38
Interest coverage (times)	1.96	1.31

A: Audited

Status of non-cooperation with previous CRA: IND BB (Stable); Issuer not cooperating /IND A4+ (Issuer not cooperating) vide PR dated May 25, 2018).

Any other information: Not Applicable

Rating History for 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	-	-	-	15.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	3.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	8.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	1.59	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	1)CARE BBB-; Stable (03-Apr-19)	-	1)CARE BBB-; Stable (21-Mar-18)	1)CARE BBB- (06-Sep-16)
2.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	1)CARE A3 (03-Apr-19)	-	1)CARE A3 (21-Mar-18)	1)CARE A3 (06-Sep-16)
3.	Fund-based - LT-Electronic Dealer Financing Scheme	LT	8.00	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	1)CARE BBB-; Stable (03-Apr-19)	-	1)CARE BBB-; Stable (21-Mar-18)	1)CARE BBB- (06-Sep-16)
4.	Fund-based - LT-Term Loan	LT	1.59	CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	1)CARE BBB-; Stable (03-Apr-19)	-	1)CARE BBB-; Stable (21-Mar-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Nil

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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.