September 27, 2017

Bhatia & Company

Summary of rated instruments

Instrument^	Amount (in crore)	Rating Action*
Long Term – Fund Based – TL	10.37	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING* Rating moved to the 'Issuer not Cooperating' category
Long Term – Fund Based – CC	58.50	
Long Term/Short Term-Unallocated	7.37	[ICRA]BB+(Stable)/A4+ ISSUER NOT COOPERATING*; Rating moved to the 'Issuer not Cooperating' category
Short Term – Non Fund Based	12.0	[ICRA] A4+ ISSUER NOT COOPERATING* Rating moved to the 'Issuer not Cooperating' category
Total	**88.24**	

*Issuer did not cooperate; based on best available information
^Instrument details are provided in Annexure

Rating Action

ICRA has reaffirmed its long term rating at [ICRA]BB+ (pronounced ICRA double B plus) and the short term rating at [ICRA]A4+ (pronounced ICRA A four plus) for the Rs 88.24 crore[1] facilities of Bhatia & Company (BAC)[2]. The outlook on the long term rating is stable.

Rationale

ICRA's ratings take into account the continued strong market position of BAC in Rajasthan, being one of the largest dealers of Maruti Suzuki India Limited (MSIL) in the region and the extensive experience of its promoters in the automobile dealership business. The ratings positively factor in the continued healthy growth in BAC's sales volumes supported by the favorable performance of MSIL backed by the new product launches year-on-year and steady service income.

The ratings however remain constrained by the high regional concentration of the business with the company's operations limited to Rajasthan as well as the working capital intensive nature of operations with high dependence on bank finance. This apart the ratings factor in the company's exposure to cyclicality in the automotive industry, the company's low bargaining power with MSIL and competition from other players, which leads to thin margins, as is characteristic of this business. Modest profitability, working capital requirements and regular debt funded capex have kept BAC's debt coverage indicators at moderate levels. ICRA also notes that the plan on commercial vehicles business remains on hold at present.

1 100 lakh = 1 crore = 10 million
2 For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

As part of its process and in accordance with its rating agreement with BAC, ICRA has been trying to seek detailed information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. *SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, the company's rating is now denoted as: **"[ICRA] BB+(Stable)/A4+ ISSUER NOT COOPERATING"**. The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

Key Rating Drivers

Credit Strengths
- Authorized dealer of Maruti Suzuki India Limited (MSIL), the market leader in the passenger vehicle segment in India
- Strong market position in Rajasthan region, being the largest dealer of MSIL in terms of total vehicle sales volume
- Strong revenue growth visible year on year
- Encouraging demand prospects with the market having responded positively to models like Celerio, Brezza, Baleno
- Extensive experience of the promoters (ranging over three decades) in the automobile dealership business

Credit Concerns
- High regional concentration of the business with scale of operations limited only to Rajasthan state
- Vulnerable profitability as margins on vehicles, spares, service and accessories are all controlled by MSIL , however BAC has been able to maintain its margins over the last few years
- Working capital intensive nature of operations and large dependence on bank financing for meeting regular working capital requirements.

Key financial indicators (Audited/Provisional):

	FY2016	FY2017*
Operating Income (Rs. crore)	436.0	491.2
PAT (Rs. crore)	0.33	3.57
OPBDIT/ OI (%)	3.1%	3.8%
RoCE (%)	8.8%	13.4%
Total Debt/ TNW (times)	4.2	2.2
Total Debt/ OPBDIT (times)	8.0	4.7
Interest Coverage (times)	1.6	1.5
NWC/ OI (%)	17.3%	12.2%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
*NWC: Net Working Capital, *Provisional*

Analytical approach: Not Applicable

Links to applicable Criteria
[Corporate Credit Rating Methodology]
[Rating Methodology for Automobile Dealerships]

About the company: BAC was incorporated by Mr. Ram Bhatia in Kota, Rajasthan. BAC has a long term relationship of around 25 years with MSIL and is one of its leading dealers in Rajasthan, and has its showrooms at Kota and Chittorgarh. BAC currently has two main showrooms at Kota and one main showroom at Chittorgarh along with three extension outlets in Kota, Rajasthan.

Rating History for last three years (Rated for last two years):

S.No	Name of Instrument	Current Rating (FY 2018)			Chronology of Rating History for the past 3 years	
		Type (long term/ Short term)	Rated amount (Rs. crore)	Month-year & Rating	Month- year & Rating in FY2016	Month- year & Rating in FY2015
				September 2017	March 2016	March 2015
1	Term Loan	LT	10.37	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)	[ICRA]BB(Stable)
2	Cash Credit	LT	58.50	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)	[ICRA]BB(Stable)
3	Unallocated	LT/ST	7.37	[ICRA]BB+ (Stable)/A4+ ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)/A4+	[ICRA]BB(Stable)/A4
4	BG	ST	12.00	[ICRA]BB+ (Stable)/A4+ ISSUER NOT COOPERATING*	[ICRA]BB+ (Stable)/A4+	[ICRA]BB(Stable)/A4

*_Issuer did not cooperate; based on best available information_

Note on complexity levels of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

***Annexure-1**

Details of Instrument

Name of the instrument	**Date of issuance ^**	**Coupon rate ^**	**Maturity Date ^**	**Size of the issue**	**Current Rating and Outlook**
Term Loan	NA	NA	NA	10.37	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*
Cash Credit	NA	NA	NA	58.50	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING*
Unallocated	NA	NA	NA	7.37	[ICRA]BB+ (Stable)/A4+ ISSUER NOT COOPERATING*
BG	NA	NA	NA	12.00	[ICRA]BB+ (Stable)/A4+ ISSUER NOT COOPERATING*

Source: BAC,

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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