

April 06, 2023

Susee Trucks Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	6.00	6.00	[ICRA]B (Stable); reaffirmed
Total	6.00	6.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation on the bank lines of Susee Trucks Private Limited's ('STPL' / 'the company') considers its average financial profile characterised by minimal cash accruals, stretched liquidity position, capital structure and coverage metrics. The rating also considers the company's modest scale of operations, with operating income of Rs. 52.1 crore in 11M FY2023 and Rs. 2.3 crore net worth as of March 31, 2022. STPL's revenues are also exposed to the inherent cyclicity of the commercial vehicle (CV) segment. The ratings positively factor in the company's established position as sole authorised distributor for Tata Motor Limited's (TML) small commercial vehicles (SCVs) and light commercial vehicles (LCVs) in six districts in Tamil Nadu, and the experience of the promoters/reputation of the 'Susee' brand in the auto dealership business in Tamil Nadu. In addition, the company has Rs. 3.2 crore interest free unsecured loans from promoters as on February 28, 2023, and the promoters are committed to infusing further funds on need basis for meeting the company's operating and financial commitments in a timely manner.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in auto dealership business – The promoters have over a decade of experience in the auto dealership space. STPL is a part of the Susee Group, which is an established brand in the automobile dealership segment in Tamil Nadu. In addition, the company has Rs. 3.2 crore interest free unsecured loans from promoters as on February 28, 2023, and the promoters are committed to infusing further funds on need basis for meeting the company's operating and financial commitments in a timely manner.

Sole authorised dealer for TML's SCVs and LCVs in six districts in Tamil Nadu – The company is the sole authorised dealer of Tata Motors Limited's (TML) SCVs and LCVs in six districts in Tamil Nadu, including Vellore, Thiruvannamalai, Kanchipuram, Tirupattur, Vandavasi and Sriperumbudur. It currently has four sales, spares and service (3S) showrooms catering to SCV and LCV demand in these districts, and STPL has plans to expand its showroom presence going forward, to increase its penetration. The principal original equipment manufacturer (OEM), TML, is an established player in the Indian CV market, with market share of 36.0% in LCVs for 9M FY2023, and this augurs well for the company.

Credit challenges

Weak financial profile – Inherent to the nature of dealership business, STPL has relatively thin margins. For FY2022, the company reported an operating margin of 1.7%. The company had adjusted debt¹ of Rs. 6.3 crore as on February 28, 2023

¹ Adjusted debt is total debt minus promoter loans and cash and liquid investments

(excluding Rs. 3.2 crore interest-free unsecured loans from promoters). Owing to the weak accruals, the company's coverage metrics are stretched, with an adjusted debt/OPBDITA of 9.8 times for FY2022.

Modest scale of operations – The company reported revenues of Rs. 45.0 crore in FY2022 and Rs. 52.1 crore in 11M FY2023. STPL is expected to witness healthy revenue growth, going forward, aided by healthy demand growth in SCV and LCV sales and expansion of showrooms for increasing penetration. Nevertheless, the revenues are expected to remain modest over the medium term.

STPL's sales is exposed to the inherent cyclicity in CV segment – STPL derives its revenues from the SCV and LCV segments. This exposes the company to the inherent cyclicity in the industry, which is linked to economic cycles. While the healthy demand growth anticipated for the segment in FY2024 mitigates the risk to an extent, STPL's revenues remains susceptible to the overall industry slowdown, akin to that witnessed in FY2020 and FY2021. The company also faces stiff competition from dealers of other OEMs.

Liquidity position: Stretched

The company's liquidity position is stretched as indicated by minimal accruals, limited buffer of Rs. 0.6 crore in working capital lines and negligible free cash and bank balance of Rs. 0.2 crore as on February 28, 2023. The company's average working capital utilisation has been relatively high at 88.9% of sanctioned limits for the 12 months ending February 2023. Against this, the company had repayment obligations of Rs. 0.3 crore in FY2024 and Rs. 0.1 crore in FY2025 on existing loans. The company has minimal capex plans for maintenance and showroom expansion. The promoters are committed to infusing funds on need basis, for meeting the company's operating and financial commitments, in a timely manner.

Rating sensitivities

Positive factors – The rating may be upgraded if there is an improvement in the company's scale of operations and profitability. Specific credit metrics that could lead to an upward revision in rating is interest coverage of above 1.5 times on a sustained basis.

Negative factors – Pressure on the company's rating could arise if there is a decline in revenues and profitability leading to deterioration in liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto dealerships
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of STPL.

About the company

Incorporated in 2004, Susee Trucks Private Limited is the sole authorised dealer of the SCVs and LCVs for Tata Motors Limited in Tamil Nadu, across the six districts, namely, Vellore, Thiruvannamalai, Kanchipuram, Tirupattur, Vandavasi and Sriperumbudur. It has four 3S showrooms and multiple showrooms for only sales. The company is a part of the larger Susee Group, with interests in various businesses including logistics, packaging and education, apart from auto dealership. The company's day-to-day operations are managed by Mr. S. Manivannan.

Key financial indicators (audited)

Standalone	FY2021	FY2022
Operating income	37.5	45.0
PAT	0.1	0.0
OPBDIT/OI	1.2%	1.7%
PAT/OI	0.2%	0.1%
Total outside liabilities/Tangible net worth (times)	4.5	5.3
Total debt/OPBDIT (times)	23.5	14.5
Interest coverage (times)	0.7	1.1

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of December 31, 2022 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2022	Date & rating in FY2021			Date & rating in FY2020
				April 06, 2023	April 29, 2022	February 18, 2021	January 28, 2021	Apr 16, 2020	July 31, 2019
1 Cash credit	Long term	6.00	-	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable) ISSUER NOT COOPERATING	[ICRA]B (Stable) ISSUER NOT COOPERATING	[ICRA]B (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	11.0%	NA	6.00	[ICRA]B (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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