

May 23, 2025

ABT Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Term Loans	12.90	12.90	[ICRA]BB (Stable); reaffirmed
Long-term – Fund-based Limits	50.00	50.00	[ICRA]BB (Stable); reaffirmed
Long-term – Non-fund Based Limits	0.65	0.65	[ICRA]BB (Stable); reaffirmed
Short-term – Fund based	45.00	45.00	[ICRA]A4; reaffirmed
Total	108.55	108.55	

*Instrument details are provided in Annexure I

Rationale

The ratings action on the bank lines of ABT Industries Limited (AIL) reflects ICRA's expectation that its financial performance will remain stable in the near-to-medium term, supported by its established market presence in the domestic auto dealership business and a diversified business profile. The company is Tata Motors Limited's (TML) sole authorised dealer in several major towns in Tamil Nadu. It derives ~66% of its revenues from the commercial vehicle (CV) dealership and 34% from the dairy segment in FY2024. AIL is a part of the larger Sakthi Group of Companies, which has diversified interests across various industries including automobile, transport, education, textiles and sugar.

The ratings, however, remain constrained by the company's stretched capital structure, coverage metrics and liquidity position. AIL's revenues improved by 1.2% in 9M FY2025 to Rs. 533.8 crore (unaudited). Its margins remained thin and the company has high dependence on external debt for its capex and working capital requirements, resulting in stretched capital structure and debt protection metrics. The company's net gearing stood at 3.7 times as on March 31, 2024, while its interest cover and net debt/OPBDITA stood at 1.0 times and 8.3 times, respectively in FY2024. AIL's liquidity position remains stretched, although supported by healthy financial flexibility as it is a part of the larger Sakthi Group and commitment from the promoters to extend timely and adequate financial support augur well for the company. AIL also has some unused land banks that can be liquidated on a need basis. In FY2025, the company monetised one such land parcel and the proceeds supported its cash accruals and liquidity position.

Key rating drivers and their description

Credit strengths

Diverse business profile – The company is present in two industries and derived 63% of its revenues from the CV dealership and 37% from the dairy segment in 9M FY2025. In terms of profits, 74% of AIL's profit before interest and tax (PBIT) in 9M FY2025 came from the dairy segment, while 26% came from the dealership segment. The company's diverse business profile lends stability to revenues to an extent. Its enhanced focus on value-added products in the dairy segment augur well for the company although the dealership segment remains a drag from the profitability standpoint.

Sole authorised dealer of TML CVs in several clusters of Tamil Nadu – The company enjoys an established presence in the domestic automobile dealership industry as TML's sole authorised dealer in several major towns in Tamil Nadu, namely Coimbatore, Erode and Madurai, etc. It has 14 showrooms across tier-1 and tier-2 cities in Tamil Nadu. Also, AIL is a part of the larger Sakthi Group of Companies, which has diversified interests across various industries including automobile, transport, education, textiles and sugar.

Credit challenges

Stretched capital structure and coverage metrics – The company’s thin margins and relatively high dependence on external debt for its capex and working capital requirements have resulted in stretched capital structure and coverage metrics. The company’s net gearing¹ stood at 3.7 times as on March 31, 2024, while its interest cover and Net debt/OPBDITA stood at 1.0 times and 8.3 times, respectively in FY2024. The company’s debt protection metrics are expected to remain stretched over the medium term.

Relatively thin profit margins – The company’s dealership business has thin margins, like other players in the industry. Despite better margins from the dairy segment, the company’s overall operating margins have largely hovered in the 4-5% range. Going forward, the likely increase in value-added products from the dairy segment would be beneficial for the company. Also, AIL has recently started processing for other dairy peers, which will improve the company’s utilisation in the dairy division. Further, dairy being an essential commodity and non-cyclical in nature, will aid in relatively stable accruals for the company.

High dependence on the CV segment – The CV dealership division accounted for 66% of AIL’s total revenues in FY2024. This exposes the company to the inherent cyclicity in CV sales, which is linked to economic cycles. The diversification through the dairy business mitigates the risk to an extent. AIL also witnesses competition from dealers of other OEMs.

Liquidity position: Stretched

AIL’s liquidity position is stretched. The average working capital utilisation was high at ~89% against the sanctioned limits for the 12-month period that ended in February 2025. AIL has healthy cash balances as of March 31, 2025 worth Rs. 24.4 crore. Against these sources of cash, AIL has principal repayment obligations of Rs. 22.0 crore in FY2026, Rs. 7.6 crore in FY2027 and Rs. 3.7 crore in FY2028, towards existing external loans. It also has some unused land banks that can be liquidated on a need basis. Also, it does not have any significant capex commitments over the medium term. Further, the promoters are committed to extending timely and adequate financial support, as and when required.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in cash accruals, liquidity position and debt protection metrics.

Negative factors – Pressure on the company’s ratings could arise in case of a deterioration in liquidity position due to lower earnings or higher working capital intensity. Incremental exposure to Group companies will also be a rating sensitivity.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on AIL’s standalone financial statements.

¹ Net gearing = Net debt/Tangible Net worth; Net debt represents gross debt minus unencumbered cash and bank balances

About the company

AIL has two businesses – CV dealership for TML and dairy. The company runs its automobile dealership at 13 towns in Tamil Nadu, i.e., Madurai, Tuticorin, Tirunelveli, Theni, Nagercoil, Sivakasi, Paramakudi, Dindugul, Coimbatore, Erode, Tiruppur, Ooty and Palladam. In the dairy segment, the company processes milk and curd, SMP, ghee, butter and paneer. CV dealership contributed 63% to its revenues and 26% of PBIT in 9M FY2025, while the dairy business contributed 37% to revenues and 74% to PBIT during the same period.

AIL is a part of the Sakthi Group of Companies based out of Coimbatore, which has diversified interests across various industries including automobile, transport, education, textiles and sugar. The Group is owned and managed by three sons of Late Mr. N Mahalingam—Mr. M Manickam, Mr. M Balasubramaniam and Mr. M Srinivasan. All three brothers and their families have ownership in all the Group entities and are among each company’s board of directors. ABT Foods Ltd. is the largest shareholder of AIL and is jointly promoted by the promoter families.

Key financial indicators (audited)

	FY2023	FY2024	9MFY2025*
Operating income	734.8	751.3	533.8
PAT	1.2	1.4	1.4
OPBDIT/OI	3.5%	3.7%	3.9%
PAT/OI	0.2%	0.2%	0.3%
Total outside liabilities/Tangible net worth (times)	4.4	4.6	
Total debt/OPBDIT (times)	9.1	8.6	
Interest coverage (times)	1.0	1.0	

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	May 23,2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	50.00	[ICRA]BB (Stable)	24-MAY-2024	[ICRA]BB (Stable)	11-MAY-2023	[ICRA]BB (Stable)	30-MAY-2022	[ICRA]BB (Stable)
				09-AUG-2024	[ICRA]BB (Stable)	-	-	-	-
Long term-others-non fund based	Long Term	0.65	[ICRA]BB (Stable)	24-MAY-2024	[ICRA]BB (Stable)	11-MAY-2023	[ICRA]BB (Stable)	30-MAY-2022	[ICRA]BB (Stable)

				09-AUG-2024	[ICRA]BB (Stable)	-	-	-	-
Long term-term loan-fund based	Long Term	12.90	[ICRA]BB (Stable)	24-MAY-2024	[ICRA]BB (Stable)	11-MAY-2023	[ICRA]BB (Stable)	30-MAY-2022	[ICRA]BB (Stable)
				09-AUG-2024	[ICRA]BB (Stable)	-	-	-	-
Short term-others-fund based	Short Term	45.00	[ICRA]A4	09-AUG-2024	[ICRA]A4	-	-	-	-
Short term-unallocated-unallocated	Short Term	-	-	24-MAY-2024	[ICRA]A4	11-MAY-2023	[ICRA]A4	30-MAY-2022	[ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term Loans	Simple
Long-term – Fund-based Limits	Simple
Long-term – Non-fund Based Limits	Very Simple
Short-term – Fund based	Very 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	Term loan	FY2016	12.3%	FY2030	12.90	[ICRA]BB (Stable)
NA	Cash credit	NA	NA	NA	50.00	[ICRA]BB (Stable)
NA	Bank Guarantee	NA	NA	NA	0.65	[ICRA]BB (Stable)
NA	Short-term – Fund based	NA	NA	NA	45.00	[ICRA]A4

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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