

April 13, 2017

Sakthi Auto Motors Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long term: Fund based limits	10.00	[ICRA]BB+ (SO) (Stable) assigned
Long term: Term loan	15.00	[ICRA]BB+ (SO) (Stable) assigned

*Instrument details are provided in Annexure-1

Rating Action

ICRA has assigned the long-term rating of [ICRA]BB+ (SO) (pronounced ICRA Double B Plus Structured Obligation) outstanding on the Rs. 15.00 crore term loan facilities and Rs. 10 crore¹ cash credit facilities of Sakthi Auto Motors Limited (SAML)². The outlook on the long-term rating is Stable.

Rationale

The ratings assigned is solely based on the strength of the corporate guarantee extended by ABT Industries Limited (ABT) (rated at [ICRA]BB+(Stable) / [ICRA]A4+ by ICRA Limited in January 2017) for the term loans and fund based facilities of SAML.

Key rating drivers and description

The above ratings address the servicing of the term loans to happen as per the terms of the underlying loan and the guarantee arrangement, and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower. ICRA also notes that the rated instrument does not involve a structured payment mechanism.

Analytical approach: For arriving at the ratings, ICRA has taken into account the explicit support provided by ABT Industries Limited to Sakthi Auto Motors Limited in the form of a corporate guarantee.

Links to applicable Criteria

[Corporate Credit Ratings: A Note on Methodology](#)

[Rating Methodology for Automotive Dealership Industry](#)

About the Company:

Sakthi Auto Motors Limited (SAML) was incorporated as a subsidiary of ABT Industries Limited in 2008, where it is into dealership of TML Passenger Vehicles in Madurai, Sivaganga, Virudhunagar and Ramanathapuram districts. The company has three showrooms located at Madurai, Ramanathapuram and Paravi. It has also recently started another showroom in Karaikudi. The company is a part of the Sakthi group which has diversified interests in various industries like automobile trading, dairy, logistics, textiles and sugars. The company also is involved in spare parts sales and after sales and service activity. The Chairman of the company is Mr. B K Krishnaraj Vanavarayar.

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

Guarantor Profile

ABT Industries Limited (AIL) was incorporated in 1950 under the name “The Gounder & Co Private Ltd”. The Company was initially into tea plantations till 1990, subsequent to which it obtained a new dealership for commercial vehicles from TATA Motors Ltd (TML) at Madurai and also took up manufacturing facilities of fruit based beverages at Chennai (which was subsequently hived off during 2002). Later, the Company took over two other commercial vehicles dealerships of TML at Coimbatore and Calicut from the partnership firms of the promoters. The Company entered into the dairy business during 1993-94 and in 2009-10, the dairy plant was expanded and a new skimmed milk powder plant was commissioned. The company closed down its dealership division in Calicut in March 2015. Currently the company derives ~52% of its revenues through the dealership division and the rest through the dairy division. The company belongs to the Sakthi group of companies based out of Coimbatore which has diversified interests across various industries including automobile, transport, education, textiles and sugars.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & Rating in FY2018 April 2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit	Long term-Fund Based	10	[ICRA]BB+(SO)(Stable)	-	-	-
2	Term loans	Long term	15	[ICRA]BB+(SO)(Stable)	-	-	-

Complexity level 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 Instruments**

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund based - cash credit	-	-	-	10.00	[ICRA]BB+(SO)(Stable)
Term Loans	July 28, 2016	-	July 28, 2023	15.00	[ICRA]BB+(SO)(Stable)

Source: SAML

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