March 20, 2020

Concorde Motors (India) Limited: Update

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Fund-based Facilities – Cash Credit	35.0	0.0	[ICRA]BBB+ (Negative); withdrawn
Short-term, Fund-based Facilities – Working Capital Demand Loan	140.0	110.0	[ICRA]A2 reaffirmed; withdrawn for Rs. 30.0 crore
Unallocated Limits	60.0	0.0	[ICRA]BBB+ (Negative) / [ICRA]A2; withdrawn
Total	**235.0**	**110.0**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA notes of decision of Tata Motors Limited's (TML, rated [ICRA]AA- (Negative) / [ICRA]A1+) to wind up its passenger vehicle (PV) dealership business under its 100% subsidiary, Concorde Motors (India) Limited (CMIL). The company is in the process of selling its dealerships at various locations. Of its seven locations, CMIL has already sold its dealerships at Mumbai, Pune (Maharashtra), Hyderabad and Kochi (Kerala). The sale of its dealerships at Delhi, Chennai and Bangalore is in the final leg of completion.

As on February 29, 2020, CMIL's total debt had reduced to Rs. 378.5 crore from Rs. 584.2 crore as on March 31, 2019. Of this, ~Rs. 220 crore (excluding secured term loans of Rs. 37.1 crore from TMF Holdings Limited, inter corporate deposit (ICD) of Rs. 125.0 crore from TML Distribution Company Limited, redeemable cumulative preference share of Rs. 24.4 crore and liability portion included under compulsorily convertible debentures (CCD) of Rs. 7.1 crore) would be repaid by March 31, 2020 and the balance debt will be repaid in FY2021 through sale of properties situated at Mumbai, Hyderabad and Bangalore. TML would support CMIL to find buyers for its properties. TML will provide need based financial support through ICDs to CMIL to meet its external liabilities.

The rating continues to draw comfort from the financial support provided by CMIL's parent, TML, and the financial flexibility arising from being a wholly-owned subsidiary of TML. TML has been supporting CMIL by regular funds infusion, giving compensations for discounts it offers to customers or through various incentive schemes. However, despite the equity infusion, CMIL's net worth turned negative in FY2019. The rating takes into account the company's weak financial profile, as characterised by continued net losses and negative net worth.

ICRA has also withdrawn the [ICRA]BBB+ (pronounced ICRA triple B plus) rating with a negative outlook and [ICRA]A2 (pronounced ICRA A two) rating on the Rs. 35.0 crore long-term fund-based limits, Rs. 30.0 crore short-term fund-based limits and the Rs. 60.0 crore unallocated limits as there are no amounts outstanding against the same, and as per the company's request.

Key rating drivers and their description

Credit strengths

Operational and financial support as a wholly-owned subsidiary of TML – CMIL is a wholly-owned subsidiary of TML (rated [ICRA]AA- (Negative) / [ICRA]A1+). It enjoys strong financial and operational support from TML, which includes access to capital, management and systems and supervision by a strong board. CMIL's rating factors in the very high likelihood of its parent, TML, extending financial support to it because of the close business linkages between them. TML has been supporting CMIL by regular funds infusion, compensations for discounts it offers to customers or through various incentive schemes. TML would provide need based financial support through ICDs to CMIL to enable to meet its external liabilities. Any dilution in the expected level of support from TML or change in the parent's credit profile would be a key rating sensitivity.

Credit challenges

Weak financial profile – The company's financial profile remains weak, characterised by continued net losses and negative net worth. The company's standalone liquidity profile is poor with consistent operating losses. While TML does provide funding support to CMIL, it is received only during March end, and the interim funds requirement have to be met by CMIL through its working capital borrowings and debt / inter corporate deposits from Group companies. CMIL's total debt declined to Rs. 378.5 crore as on February 29, 2020 from Rs. 584.2 crore as on March 31, 2019, as CMIL ceased purchases from TML from October 2019 onwards. Thus, cashflows from the sale of existing inventory coupled with collections from the debtors were utilised towards servicing the outstanding debt, which has aided in reducing its overall debt level as on February 29, 2020.

Intense competition in PV dealership industry; current automotive slowdown may result in widening losses in the current year – The company faces stiff competition from other PV dealers of TML, as well as those of other original equipment manufacturers (OEMs). Furthermore, the current slowdown in the domestic automobile industry amid a tighter financing environment is likely to adversely impact the demand momentum in the near term.

Liquidity position: Adequate

CMIL's liquidity profile is adequate, as it enjoys strong financial support from TML. TML has been supporting CMIL by regular fund infusion, compensations for its discounts it offers to customers or through various incentive schemes. CMIL will pay off its external debt by March 31, 2020 and the balance in FY2021 from the sale of its properties at Mumbai, Hyderabad and Bangalore. TML would support CMIL to find buyers for its properties and provide need based financial support through ICDs to enable it meet its external liabilities.

Rating sensitivities

Positive triggers – Not applicable since the company is in the process of winding up its business

Negative triggers – Negative pressure on CMIL's rating could arise in case the financial support from TML is inadequate or not received in a timely manner. Furthermore, any adverse change in the rating of TML could also negatively impact the company's rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Automobile Dealership Industry Impact of Parent or Group Support on an Issuer's Credit Rating ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent / Group Support	Parent Company: Tata Motors Limited (TML) The rating assigned to CMIL factors in the very high likelihood of its parent, TML (rated [ICRA]AA- (Negative) / [ICRA]A1+), extending financial support to it out of its need to protect its reputation from the consequences of a Group entity's distress. There also exists a consistent track record of TML having extended timely financial support to CMIL in the past, whenever a need has arisen
Consolidation / Standalone	The rating is based on the standalone financial profile of the company

About the company

Incorporated in 1972 as Minicar (India) Limited, CMIL is a wholly-owned subsidiary of TML and is primarily involved in the sales and servicing of PVs for TML. CMIL's PV dealership operations began in 1998 with the entry of TML in the PV segment. The dealership operations were initially started as a 50:50 joint venture with Jardine International Motors Limited (one of the largest international players in the car dealership segment with presence in around 90 countries) mainly to expand the direct retail footprint for the PVs of TML and to provide a service experience around the TML's PV business. At present, CMIL is in the process of winding up its dealerships business.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	1,180.5	1229.0
PAT (Rs. crore)	-129.5	-132.6
OPBDIT/OI (%)	-7.2%	-6.2%
RoCE (%)	-17.0%	-14.4%
Total Outside Liabilities/Tangible Net Worth (times)	57.4	38.2
Total Debt/OPBDIT (times)	-6.1	-7.7
Interest Coverage (times)	-1.8	-1.4
DSCR	-1.3	-1.0

Source: Company data

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3"></th><th rowspan="3">Instrument</th><th colspan="5">Rating (FY2020)</th><th colspan="4">Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount Rated</th><th rowspan="2">Amount Outstanding*</th><th>Current Rating</th><th>Earlier Rating</th><th>FY2019</th><th>FY2018</th><th colspan="2">FY2017</th></tr>
<tr><th>20-Mar-2020</th><th>27-Sep-2019</th><th>28-Jun-2018</th><th>-</th><th>14-Dec-2016</th><th>11-Aug-2016</th></tr>
<tr><td>1</td><td>Term Loan</td><td>Long-term</td><td>-</td><td>-</td><td>-</td><td>[ICRA]BBB+ (Negative); withdrawn</td><td>[ICRA]BBB+ (Stable)</td><td>-</td><td>[ICRA]A- (Stable)</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td>2</td><td>Cash Credit</td><td>Long-term</td><td>35.0</td><td>-</td><td>[ICRA]BBB+ (Negative); withdrawn</td><td>[ICRA]BBB+ (Negative)</td><td>[ICRA]BBB+ (Stable)</td><td>-</td><td>[ICRA]A- (Stable)</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td>3</td><td>Working Capital Demand Loan</td><td>Short-term</td><td>110.0</td><td>110.0</td><td>[ICRA]A2</td><td>[ICRA]A2</td><td>[ICRA]A2</td><td>-</td><td>[ICRA]A1</td><td>[ICRA]A1</td></tr>
<tr><td>4</td><td>Working Capital Demand Loan</td><td>Short-term</td><td>30.0</td><td>-</td><td>[ICRA]A2; withdrawn</td><td>[ICRA]A2</td><td>[ICRA]A2</td><td>-</td><td>[ICRA]A1</td><td>[ICRA]A1</td></tr>
<tr><td>5</td><td>Unallocated Limits</td><td>Long-term / Short-term</td><td>60.0</td><td>-</td><td>[ICRA]BBB+ (Negative) / [ICRA]A2; withdrawn</td><td>[ICRA]BBB+ (Negative) / [ICRA]A2</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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*Amount in Rs. crore; *As on Feb 29,2020*

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: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	0.0	[ICRA]BBB+ (Negative) withdrawn
NA	Working Capital Demand Loan	NA	NA	NA	110.0	[ICRA]A2
NA	Working Capital Demand Loan	NA	NA	NA	0.0	[ICRA]A2 withdrawn
NA	Unallocated Limits	NA	NA	NA	0.0	[ICRA]BBB+ (Negative) / [ICRA]A2 withdrawn

Source: Concorde Motors (India) Limited

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