

Press Release

Tejpal Motors Private Limited

January 15, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 10.00 crore bank facilities of Tejpal Motors Private Limited (TMPL). The outlook is '**Stable**'.

TMPL, incorporated in 1995, is managed by Mr. Kamalsingh Ailsinghani and his nephew, Mr. Tejpal Ailsinghani. The company is an authorised dealer for Tata motors Limited (TML) for their entire range of commercial vehicles in Navsari and Vapi districts (Gujarat) and in Silvassa (UT Dadra and Nagar Haveli). It has 8 outlets across the districts. In 2014-15, the company also entered into dealership of passenger vehicles for Honda Motors Co. Limited (HMCL) with three showrooms at Thane, Kalyan and Dombivli (Mumbai) under the name of Regent Honda.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of TMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experience management and established track record**

TMPL has established operational track record of more than two decades in sale of commercial and passenger vehicles, spares & parts and service centres. The company has presence in various districts of Gujarat for TML commercial vehicle segment and has spread its HMCL passenger vehicle segment in Mumbai. The company also benefits from the extensive experience of its promoters, who collectively possess more than two decades experience in automobiles & auto parts industry.

- **Association with Tata Motors Limited and Honda Motors Co. Limited**

The company is an authorised dealer for commercial vehicle segment of Tata Motors Limited (TML) with dealerships at Navsari and Vapi districts of Gujarat. TMPL has three showrooms for HMCL and has one facility for sales and service for spares and maintenance which is located in Thane. The company benefits from its association with Tata Motors Limited which is market leader in the India for commercial vehicle segment with around 44.4 percent market share during FY2016-17 as against ~ 46.2 percent in the previous year. TMPL also benefits from association with HMCL who is amongst the top 5 players in passenger car segment in India.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate tangible net worth of Rs. 8.31 crore as on 31 March, 2018 (including unsecured loan of Rs. 5.58 crore) as compared to Rs. 8.43 crore as on 31 March, 2018 (including unsecured loan of Rs. 3.39 crore). The gearing stood high at 5.55 times as on 31 March, 2018 as against 5.60 times in the previous year. The interest coverage ratio stood low at 0.78 times in FY2018 as against 0.64 times for FY2017 and 0.62 times in the earlier year. TOL/TNW stood high at 6.70 times in FY2018 and 7.40 times in FY2017. DSCR ratio stood low at 0.78 times in FY2018 and 0.67 times in FY2017.

Weaknesses

- **Decline in operating income and thin profitability**

The operating income of the company has declined by 29.83 percent to Rs. 334.81 crore in FY2018 as compared to Rs. 477.16 crore in FY2017. Further, automobile dealership activity undertaken by TMPL is marked by thin operating margins, which stood low at 0.79 percent in FY2018 as against 0.54 percent for FY 2017 and 0.61 percent in FY2016.

- **Stiff competition from other auto dealers and susceptible to cyclicity in the auto sector**

The company faces stiff competition from other auto dealers of TML and HMCL as it focusing on expanding its dealership network, leading to increased competition from dealers of same company. Furthermore, the industry competition from other big automobile players in commercial and passenger car vehicle segment and launching of new models at competitive prices, results into eating the market share of TML and HMCL, which in turn also affects its dealers including TMPL. The operations of the company are also vulnerable to the inherent cyclical nature of the automobile industry.

Outlook: Stable

Acuité believes that TMPL will continue to benefit over the medium term from the extensive experience of its promoters and capital expenditure incurred in past few years. The outlook may be revised to 'Positive' if there is substantial increase in revenue and cash accruals while maintaining efficient working capital management. The outlook may be revised to 'Negative' in case of future decline in cash accrual, large working capital requirements, or a debt-funded capital expenditure which further deteriorates the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	334.81	477.16	331.73
EBITDA	Rs. Cr.	2.64	2.56	2.02
PAT	Rs. Cr.	(2.27)	(3.10)	(3.05)
EBITDA Margin	(%)	0.79	0.54	0.61
PAT Margin	(%)	(0.68)	(0.65)	(0.92)
ROCE	(%)	4.90	2.55	1.25
Total Debt/Tangible Net Worth	Times	5.55	5.60	5.24
PBDIT/Interest	Times	0.78	0.64	0.62
Total Debt/PBDIT	Times	11.88	16.18	17.81
Gross Current Assets (Days)	Days	55	44	52

Status of non-cooperation with previous CRA (if applicable)

CRISIL in its rationale dated 10 October, 2017 has stated that it has been consistently following up with Tejpal Motors Private Limited (TMPL) for obtaining information through letters and emails dated July 13, 2017 and August 09, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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