

Press Release

Tejpal Motors Private Limited

September 15, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 10.00 Cr
Long Term Rating	ACUITE BB+/Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BB+' (read as ACUITE double B plus)** from **'ACUITE B+' (read as ACUITE B plus)** on the Rs. 10.00 crore bank facilities of Tejpal Motors Private Limited. The outlook is **'Stable'**.

Rationale for Rating Upgrade

The rating upgrade is in view of consistent improvement in operating performance marked by improvement in its revenues and profitability margins while maintaining its financial risk profile.

About the company

Tejpal Motors Private Limited (TMPL) incorporated in 1995 which is managed by Mr. Kamalsingh Ailsinghani and his nephew Mr. Tejpal Ailsinghani. The company is an authorized dealer for Tata motors Ltd. (TML) for their entire range of commercial vehicles. The company has dealership for the entire Navsari and Vapi districts of Gujarat and for Silvassa (UT Dadra and Nagar Haveli). It has 8 outlets across the districts. In 2014-15, the company has entered into dealership of passenger vehicles for Honda Motors Co. Ltd (HMCL) with three showrooms in Thane, Kalyan and Dombivli in the name of Regent Honda. In 2019-20, it has also entered into dealership of passenger vehicles for MG Motors with two showrooms in Navi Mumbai and Thane.

Analytical approach

For arriving at its rating, Acuite has taken the standalone business and financial risk profile of the company.

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 of Mr. Kamalsingh Ailsinghani and Mr. Tejpal Ailsinghani who collectively possess more than two decades experience in Automobiles & auto parts industry.

- Association with Tata Motors Limited, Honda Motors Co. Ltd and MG Motors**

The company is an authorised dealer for commercial vehicle segment of Tata Motors Limited (TML) and dealership for the entire Navsari and Vapi districts of Gujarat. TMPL has three showrooms for HMCL and has one facility for sales and service for spares and maintenance 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 43.95 percent market share during FY2016-18 as against ~42.79 percent in the previous year. TMPL also benefits from association with HMCL who is amongst top 5 players in passenger car segment in India. The company has benefitted over the time from its association with MG Motors as the sales of passenger vehicles of MG have been going up since the launch pf electric vehicles. Majority of the company's revenue come in from the MG motors division.

- Moderate financial risk profile**

TMPL's financial risk profile stood moderate marked by moderate gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and debt protection metrics. Gearing stood at 2.08 times as on March 31, 2021 (Provisional) as against 1.11 times as on 31 March, 2020. The Net worth of the company is moderate at Rs. 18.94 crore as on March 31, 2021 (Provisional) as against Rs.11.45 crore as on 31 March, 2020. Interest coverage ratio (ICR) stood at 4.31 times in FY2021 (Provisional) as against 4.16 times in FY2020.

The net cash accruals to total debt (NCA/TD) stood at 0.22 times in FY2021 (Provisional) as compared to 0.76 times in the previous year.

Going forward, Acuite believes the financial risk profile of the firm will moderate back by no major debt funded capex plan over the medium term.

Weaknesses

• Stiff competition from other auto dealers and susceptible to cyclical nature 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 own dealers. Furthermore, the industry competition from other big automobile players in commercial and passenger car vehicle segment, 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.

Rating sensitivities

- Significant improvement in operating performance
- Deterioration in working capital cycle

Material Covenant

None

Liquidity Position: Adequate

Liquidity of TMPL is adequate marked by comfortable cash accruals of Rs.8.64 crore as of 31 March 2021 (Provisional) as against Rs.9.58 crore as of 31 March 2020. It has unencumbered cash balances of 4.52 crore as on 31 March 2021. The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Asset (GCA) days stood at 51 days as on 31 March 2021 (Provisional) as against 23 days as on 31 March 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the near to medium term on account of moderate cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuite believes TMPL will continue to benefit over the medium term from the extensive experience of its promoters. 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 deterioration in financial risk profile.

About the Rated Entity Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	403.05	397.61
PAT	Rs. Cr.	7.01	8.16
PAT Margin	(%)	1.74	2.05
Total Debt/Tangible Net Worth	Times	2.08	1.11
PBDIT/Interest	Times	4.31	4.16

Status of non-cooperation with previous CRA

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-July-21	Inventory funding	Long term	10.00	ACUITE B+ Issuer not co-operating*
10 -Feb-20	Inventory funding	Long term	10.00	ACUITE B+ (Downgraded from ACUITE BB-/Stable) Issuer not co-operating*
15-Jan-19	Inventory funding	Long Term	10.00	ACUITE BB-/Stable (Assigned)

#Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
State Bank of India	Inventory funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+/Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:

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