

## Press Release

### Tejpal Motors Private Limited

December 09, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) from '**ACUITE BB+**' (read as **ACUITE double 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 considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. Coupled to that, the company has moderate financial risk profile, adequate liquidity with low bank limit utilisation.

### 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 7 outlets across the districts. In 2014-15, the company has entered into dealership of passenger vehicles for Honda Motors Co. Ltd (HMCL) with two showrooms in Thane, Kalyan in the name of Regent Honda. In 2019-20, it has also entered into dealership of passenger vehicles for MG Motors with three showrooms in Chembur, 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. 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.

### **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 1.14 times as on March 31, 2022 as against 1.86 times as on 31 March, 2021. The Net worth of the company is moderate at Rs. 28.01 crore as on March 31, 2022 as against Rs.20.25 crore as on 31 March, 2021. Improvement in Net Worth and gearing is on account of profit accretion.

### **Weaknesses**

#### **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 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 covenants**

None

### **Liquidity Position Adequate**

TMPL has adequate liquidity marked by its net cash accruals, cash balances and current ratio. Company generated cash accruals of Rs. 10.37 crores for FY 22 and cash and Bank Balance of Rs 10.59 Crores as on 31st March 2022. Current ratio of company stood at 1.53 times for FY 22 as against 1.10 times for FY 21.

### **Outlook: Stable**

Acuité 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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	623.02	405.24
PAT	Rs. Cr.	7.76	9.59
PAT Margin	(%)	1.25	2.37
Total Debt/Tangible Net Worth	Times	1.14	1.86
PBDIT/Interest	Times	4.52	6.30

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

Crisil vide its press release dated 12.09.2022, rated TMPL to Crisil B+; INC.

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Sep 2021	Inventory Funding	Long Term	10.00	ACUITE BB+   Stable (Upgraded from ACUITE B+)
19 Jul 2021	Inventory Funding	Long Term	10.00	ACUITE B+ (Issuer not co-operating*)
10 Feb 2020	Inventory Funding	Long Term	10.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
15 Jan 2019	Inventory Funding	Long Term	10.00	ACUITE BB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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