

Press Release
TEJPAL MOTORS PRIVATE LIMITED
March 01, 2024
Rating Reaffirmed



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

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE Triple B Minus) on the Rs. 10.00 crore bank facilities of Tejpall Motors Private Limited. The outlook is 'Stable'.

Rationale for Reaffirmation

The rating action takes into account improved operating income, average financial risk profile and adequate liquidity Position. Company reported growth in revenue from operations by ~30% in FY23 to Rs. 809.02 crore as against Rs. 623.02 crore for FY22.

Financial risk profile of the company remains average on account of moderate net worth & moderated yet comfortable coverage indicators. The Total Tangible net worth stood at Rs. 34.22 Cr as on 31st March 23 as against Rs. 28.01 Cr a year earlier. Interest coverage ratio witnessed dip of 114 bps and stood at 3.38 times for FY 23 and Debt Service coverage ratio stood at 2.89 times for FY 23. However these strengths are underpinned by incessant decline in profitability position in past three years. Operating Profit Margin of company stood at 1.93% in FY 23 as against 2.64% in FY 22 and 3.41% in FY 21 likewise the net profit margin of the company stood at 0.77 percent in FY 23 as against 1.25 percent in FY 22. Coupled to this company missed the projections for FY 23 except operating income as the company is in expansion mode i.e. opening of new showrooms and service centres which resulted into suboptimal absorption of fixed cost and lower profitability.

Acuite believes that the Company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

About the Company

Tejpall Motors Private Limited (TMPL) incorporated in 1995 which is managed by Mr. Kamalsingh Ailsinghani and his nephew Mr. Tejpall 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. Further company entered into dealership of passenger vehicles for Skoda in 2022-23.

Unsupported Rating

Not Applicable

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, MG Motors and Skoda

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 of electric vehicles. Majority of the company's revenue come in from the MG motors division. Company has entered into dealership of Skoda in 22-23.

Working capital operations- Comfortable

Company has comfortable working capital requirements as evident from gross current assets (GCA) of 68 days in FY2023 as compared to 40 days in FY2022. Debtor days increased by 11 days and stood at 20 days in FY2023. Inventory days increased by 14 days in FY 23. Inventory days stood at 37 days in FY2023 as against 23 days in FY2022. Working capital limits are utilized at ~30 per cent during the last nine months ended Dec 23.

Weaknesses

Deterioration in Profitability Margins

TMPL's operating income witnessed substantial improvement which is apparent from growth in revenue from operations by ~30% in FY2023 to Rs 809.02 crore as against Rs. 623.02 crore for FY2022 however Operating Margin of the company went down from 2.64 percent in FY 22 to 1.93 percent in FY 23. Dip in Margin is due to suboptimal absorption of fixed cost. Net profit margin of the company stood at 0.77 percent in FY 23 as against 1.25 percent in FY 22. Company has booked operating income of Rs ~876 crore till Dec 23.

Financial Risk Profile

Company's financial risk profile remained average marked by moderate net worth, increased gearing and comfortable debt protection metrics. The Net worth of the company stood at Rs. 34.22 Cr in FY2023 as against Rs.28.01 Cr in FY2022. The gearing ratio increased from 1.14 times in FY2022 to 3.05 times in FY2023. Due to higher sales in Year-end Company's short term debt increased from Rs 12.16 crore in FY 22 to Rs 93.23 crore in FY 23. The interest coverage ratio stood at 3.38 times in FY2023 as against 4.52 times in FY2022 likewise DSCR of the company went down yet stood comfortable at 2.89 times in FY23 as against 3.75 times in FY22.

Stiff competition from other auto dealers and susceptible to cyclicalities 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 other 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

Company's ability to achieve the financial position as envisaged.

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals, current ratio, cash and bank balance. Company generated cash accruals of Rs. 8.83 crore for FY2023 and no debt repayment obligations as company has only short term debt and USLs. Current Ratio stood at 1.14 times as on 31 March 2023 as against 1.53 times in the previous year. Working capital limits are utilized at ~30 per cent during the last nine months ended Dec 23. Cash and Bank Balances of company stood at Rs 8.33 crores as on March 31, 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	809.02	623.02
PAT	Rs. Cr.	6.22	7.76
PAT Margin	(%)	0.77	1.25
Total Debt/Tangible Net Worth	Times	3.05	1.14
PBDIT/Interest	Times	3.38	4.52

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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, Acuité 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Dec 2022	Inventory Funding	Long Term	10.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
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+ (Reaffirmed & Issuer not co-operating*)

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 avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed

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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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