

## Press Release

Tayal India Motors Private Limited

February 17, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.98	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	0.02	-	ACUITE A3+   Assigned
Total Outstanding Quantum (Rs. Cr)	34.00	-	-

## Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of **ACUITE A3+**(read as **ACUITE A three plus**) to the Rs 34.00 Cr bank facilities of Tayal India Motors Private Limited (TIMPL). The outlook is '**Stable**'.

### Rationale for rating

The rating assigned takes into account long track record and experience of the management in auto mobile dealership. Further, the rating factors in moderate financial risk profile along with efficient working capital mechanism. However, above mentioned strengths are partially offset by highly competitive nature of automobile dealer industry.

### About the Company

Based in Faridabad and incorporated in 2000, Tayal India Motors Private Limited (TIMPL) is an authorized dealer of Maruti Suzuki Vehicles, spares and parts and servicing of vehicles. Company operates Maruti Suzuki Arena showroom located in Faridabad, Nexa showroom in Palwal and truevalue showroom in Faridabad. Company also operates two workshop, one of them is located in Faridabad and one workshop is located in Palwal. TIMPL is promoted by Mr. Rakesh mohan Agarwal, Mr. Ayush Agarwal and Mr. Arpit Agarwal.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Tayal India motors Private Ltd (TIMPL) to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Long track record and established market position

Tayal India motors Private Ltd (TIMPL) is incorporated in 2000, is an authorized dealer for Tata motors till 2017, since April 2018 TIMPL has taken authorised dealership of Maruti Suzuki India Ltd (MSIL). TIMPL is promoted by Mr. Rakesh mohan Agarwal, Mr. Ayush Agarwal and Mr.

Arpit Agarwal. TIMPL operates in Faridabad and Palwal regions. Company has Maruti Suzuki Arena showroom located in Faridabad, Nexa showroom in Palwal and truevalue showroom in Faridabad. Company also operates two workshop, one of them is located in Faridabad and one workshop is located in Palwal. Company generates revenue through sale and services of Maruti Suzuki vehicles. The company also sells spares for the service purpose.

Acuite' believes that TIMPL may continue to benefit from its established track record of operations and extensive experience of promoters.

### **Moderate Financial risk profile**

TIMPL's financial risk profile is moderate marked by healthy capital structure and coverage indicators. Company's net worth stood Rs.15.37 Cr as on March 31, 2022 as against Rs.10.84 Cr as on 31 March, 2021. Networth is expected remain moderate on account of limited accretion to reserves. The debt protection metrics of interest coverage and debt service coverage ratio stood at 5.47 times and 4.52 times respectively as on March 31st 2022 as against 2.77 times and 2.46 times respectively as on March 31st 2021. The net cash accrual to debt stood at 0.37 times as on March 31st 2022 against 0.16 times as on March 31st 2021. The total outside liabilities to tangible net worth stood at 1.52 times as on March 31st 2022 against 2.18 times as on March 31st 2021.

Acuite' believes that the financial risk profile of the firm is expected to remain moderate in medium term in absence of any debt funded capex.

### **Moderate working capital mechanism**

The working capital operations of TIMPL is marked moderate with Gross current asset (GCA) days of 41 days in FY 2022 as against 49 days in FY 2021 reduction in GCA days is due to better inventory management with inventory days reduced from 23 days in FY2021 to 18 days in FY2022. Debtors days remained stable at 14 days for FY2022 and FY2021.

Acuite' believes that working capital operations of the company may continue to remain moderate considering the nature of business.

## **Weaknesses**

### **Exposure to intense industry competition**

The passenger car industry in India is highly competitive. Being an authorized dealer for Maruti Suzuki India Ltd (MSIL), the company has to compete with dealers of other car brands such as Mahindra & Mahindra Ltd, Tata Motors Ltd. Auto manufacturers also encourage more dealerships (thereby increasing competition among dealers) to improve market penetration and sales. Thus, the business risk profile may continue to be constrained by limited bargaining power with principals, and exposure to intense competition.

## **Rating Sensitivities**

- Improved business risk profile supported by increase in scale of operations and improvement in operating margins.
- Improved working capital requirement marked by decline in inventory levels.

### **Material covenants**

None

### **Liquidity Position: Adequate**

TIMPL has adequate liquidity positions as reflected by company's net cash accruals of Rs.5.90 Cr improved from 3.01 Cr in FY2021 against no maturing debt obligations. Current ratio of the firm stood at 1.08 times and cash and bank balance stood at 0.73 Cr as on March 31st 2022. Firm's GCA days are around 41 to 50 days making it less dependent for short term borrowing for working capital requirements. Average dealer finance bank utilization stood at 54.5 percent for 9 months ended December 2022.

## Outlook: Stable

Acuité believes that TIMPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	210.03	160.18
PAT	Rs. Cr.	4.54	1.80
PAT Margin	(%)	2.16	1.13
Total Debt/Tangible Net Worth	Times	1.05	1.74
PBDIT/Interest	Times	5.47	2.77

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

Crisil vide its press release dated 16.05.2022, had rated the company to CRISIL BB+;INC

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entity: <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, 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](http://www.acuite.in)

## Rating History:

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.02	ACUITE A3+   Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.90	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	31.50	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.58	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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