



Press Release
PATHANKOT VEHICLEADES PRIVATE LIMITED
March 25, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	46.08	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	17.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	63.08	-	-
Total Withdrawn Quantum (Rs.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**) and short term rating to “**ACUITE A3**” (read as **ACUITE A three**) from “**ACUITE A4+**” (read as **ACUITE A four plus**) for Rs.63.08 Cr. bank loan facilities of Pathankot Vehicleades Private Limited. The outlook is ‘**Stable**’.

Rationale for upgrade

The rating upgrade and migration from 'Issuer Non-Cooperating' takes into account the established relationship with Maruti Suzuki India Limited and extensive experience of the promoters in the automobile dealership industry. The rating also factors the company’s steady scale of operations, marked by an operating income of Rs.633.13 Cr. in FY2024 as against Rs.552.23 Cr. in FY2023 and the PAT margin which stood at 1.30% in FY2024 as against 1.18% in FY2023. Further, the liquidity profile of the company is adequate marked by net cash accrual which stood at Rs.11.44 Cr. in FY2024 against maturing debt obligation of Rs.3.71 Cr. in the same period and the working capital operations of the company are efficient marked by GCAdays of 60 days as on 31st March 2024. However, the rating remains constrained by the decline in operating margins to 3.73% in FY2024 compared to 3.75% in FY2023 and 4.89% in FY2022 along with moderate financial risk profile as suggested by gearing ratio which stood at 1.25 times as on 31st March, 2024 as well as DEBT-EBITDA which stood at 3.00 times as on 31st March, 2024. The rating is further partly offset by the operations of the company being vulnerable to the inherent cyclical nature of the automobile industry, limited bargaining power and the intense competition among the dealers.

About the Company

Incorporated in 1995, Pathankot Vehicleades Private Limited (PVPL), is an authorised dealer for all passenger vehicles of Maruti Suzuki India Limited (MSIL) in Punjab and Himachal Pradesh. The company is currently promoted by Mr. Romel Chand Katoch, Mr. Shri Kant, Ms. Ketki Rana and Mrs. Gunjan Rana, and it is engaged in the sale of passenger vehicles, servicing, selling pre-owned cars (Maruti True Value), and spare parts. The company operates around 20 showrooms in a mix of 3S model (Sales, Service, Spares) and provides Maruti Finance at reasonable interest rates, and deals in Maruti Insurance for new vehicles and renewals.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Pathankot Vehicleades Private Limited

(PVPL) to arrive at the rating.

Key Rating Drivers

Strengths

Long operational track record and experienced management

PVPL has been operating in the vehicle dealership sector since three decades. The extensive experience of the management has helped the company to establish long-term relation with the Maruti Suzuki India Limited and strengthen its market position in Punjab and Himachal Pradesh. Acuité believes that the long operational track record of PVPL and promoters' extensive understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

Steady Business Risk Profile

PVPL has registered the revenue of Rs.633.13 Cr. in FY2024 as against Rs.552.23 Cr. in FY2023. The EBITDA margin of the company stood at 3.73 per cent in FY2024 as against 3.75 per cent in FY2023 and 4.89 per cent in FY2022. The PAT margin stood at 1.30 per cent in FY2024 as against 1.18 per cent in FY2023. The increase in revenue and overall profitability is on an account of the incremental revenue contribution from the spares, accessories and service income and steady demand of PV in the domestic market. The RoCE levels for the company stood at 17.68 percent in FY2024 as against 16.72 percent in FY2023. Further, the company reported a revenue of Rs.487.01 Cr. as on 31st December, 2024. Going forward, Acuite believes that steady demand for passenger vehicles along with revenue derived from segments including workshop income, sale of spares and accessories shall continue to support the revenue and profitability of PVPL to an extent and the company will sustain at steady levels in near to medium term.

Efficient Working capital operations

The working capital operations of the company is efficient marked by GCA days of 60 days as on 31st March 2024 as compared to 63 days as on 31st March, 2023. Further, the debtor days stood at 27 days as on 31st March, 2024 as compared to 39 days in the previous year. On the other hand, the creditor days stood at 16 days as on 31st March, 2024 as compared to 22 days as 31st March, 2023. The inventory days of the company stood at 34 days as on 31st March, 2024 as compared to 20 days as on 31st March, 2023. Further, working capital limits stood at an average of 90.94% for the last six months ended January, 2025. Acuité believes that the working capital operations are likely to remain similar in near to medium term as evident from the efficient collection mechanism and low inventory levels.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate, marked by modest net worth of Rs.59.02 Crores in FY2024 and Rs.50.78 Crores in FY2023. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.73.97 Crore as on 31st March, 2024 as against Rs.58.57 Crore as on 31st March, 2023. The capital structure of the company is moderate marked by gearing ratio which stood at 1.25 times as on 31st March, 2024 against 1.15 times as on 31st March, 2023. Further, the coverage indicators of the company are reflected by interest coverage ratio and debt service coverage ratio which stood at 2.36 times and 1.55 times respectively as on 31st March, 2024 as against 2.32 times and 1.54 times respectively as on 31st March, 2023 and 2.58 times and 2.30 times respectively as on 31st March, 2022. The TOL/TNW ratio of the company stood at 1.81 times as on 31st March, 2024 as against 1.90 times as on 31st March, 2023 and DEBT-EBITDA of the company stood at 3.00 times as on 31st March, 2024 as against 2.74 times as on 31st March, 2023. Acuité believes that going forward the financial risk profile of the company will remain in similar range in near to medium term.

Weaknesses

Thin profitability margins inherent in auto dealership business

PVPL deals in the Nexa and Arena segments wherein Nexa has high-end / high-cost models like Maruti Invicto which fetch high margins however have increased the cost of stocking/ maintenance of vehicles. On the other hand, Arena fetches comparatively lower margins. Therefore, the margins of the company majorly depends on the model-mix of the vehicles. The EBITDA margin of the company stood at 3.73 per cent in FY2024 as against 3.75 per cent in FY2023 and 4.89 per cent in FY2022. The margins were lower as compared to previous years due the incremental costs borne due to the Nexa segment. Further, lower operating margins are also attributable to the inherent nature of auto dealership business and lower bargaining power of the dealer. However, the PAT margin stood at 1.30 per cent in FY2024 as against 1.18 per cent in FY2023. Acuité believes that profitability margins will continue to remain thin going forward considering the nature of business.

Exposure to competition in auto dealership segment

The company's operations are dependent on Maruti Suzuki India Limited. Though, PVPL is an exclusive dealer of Maruti Suzuki India Limited's entire range of passenger vehicles (PVs) in Punjab and Himachal Pradesh, this does not prevent Maruti Suzuki India Limited from appointing any new dealer in the regions. Automotive manufacturers normally encourage multiple dealers in the same area to improve the market penetration. Moreover, manufacturers face competition in their respective segments, and tend to squeeze margins of dealers to reduce cost. PVPL also faces competition from dealers of other vehicle manufacturers.

Rating Sensitivities

- Sustenance of the profitability margins while scaling up of operations.

- Movement in financial risk profile

Liquidity Position

Adequate

The liquidity profile of the company is adequate with net cash accruals of Rs.11.44 Crore as on 31st March, 2024 against the debt repayment obligation of Rs.3.71 Crore over the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.13.00 Crore to Rs.15.00 Crore against the debt repayment obligations up to Rs.2.41 Crore over the same period. The working capital limits stood at an average of 90.94% for the last six months ended January 2025. The current ratio of the company stood at 1.14 times as on 31st March, 2024 as against 1.19 times as on 31st March, 2023. Further, the cash and bank balance available with the company stood at Rs.1.29 Crore as on 31st March, 2024. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	633.13	552.23
PAT	Rs. Cr.	8.24	6.52
PAT Margin	(%)	1.30	1.18
Total Debt/Tangible Net Worth	Times	1.25	1.15
PBDIT/Interest	Times	2.36	2.32

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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
01 Aug 2024	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Cash Credit	Long Term	21.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	8.52	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Covid Emergency Line.	Long Term	6.36	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Channel/Dealer/Vendor Financing	Long Term	7.40	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Covid Emergency Line.	Long Term	2.30	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
09 May 2023	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	21.50	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	8.52	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	6.36	ACUITE BBB Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	7.40	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	2.30	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.50	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.40	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2025	0.70	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Punjab and Sind Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	3.64	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.84	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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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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