



**Press Release**  
**SHIVAM MOTORS PRIVATE LIMITED**  
**October 06, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	39.50	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	5.50	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

**Rating Rationale**

ACUITE has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.45.00 Cr bank facilities of Shivam Motors Private Limited (SMPL). The outlook is '**Stable**'.

**Rating Rationale**

The rating assigned to SMPL derives strength from long track record of operations, extensive experience of promoters in the dealership and manufacturing of automobiles, longstanding association with Tata Motors Limited (TML) and wide distribution network across various districts of Chhattisgarh. The rating, however, remains constrained by below average financial risk profile marked by weak debt protection metrics and working capital intensive nature of operations. The stretched liquidity marked by low net cash accruals to debt repayment obligations, further restricts the rating. Acuite notes that the incremental requirement to fund the debt obligation timely is met by unsecured loan from the promoters. The rating also remains constrained by susceptibility of operating margins to volatility in raw material prices and limited bargaining power with the suppliers.

**About the Company**

Incorporated in 1983, Shivam Motors Private Limited (SMPL) is an authorised dealer of commercial vehicles of Tata Motors in Chhattisgarh. It operates five 3S and four 1S showroom across Chhattisgarh region. The company is promoted by Mr Kailash Gupta, Mrs Rekha Gupta and Mr. Mukesh Kumar Shrivastava. In addition to sale of vehicles and spare parts, the company provides a broad portfolio of value-added services including hire-purchase, insurance, registration, refinance, annual maintenance contracts and reconditioned engines. SMPL has also set up body building unit including tip trailer which is operational since FY2013.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SMPL while arriving at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management and established relationships with Tata Motors**

SMPL has over three decades of operational track record in auto dealership industry. Further, the promoter, Mr. Kailash Chand Gupta has over five decades of experience in in

automobiles and manufacturing of truck and bus bodies. The extensive experience of the management has helped the company to establish long-term relations with the Tata Motors.

Their strong relationship with Tata Motors has also helped the company to build strong reputation in the market.

Acuité believes that the long operational track record of SMPL, promoters' extensive understanding and expertise and established relationship with Tata Motors will benefit the company going forward, resulting in steady growth in the scale of operations.

### **Moderate business risk profile**

SMPL posted revenue of Rs.170.69 Cr in FY2022 registering an y-o-y growth of ~35 per cent from Rs.126.79 Cr in FY2021. Further, the company registered a revenue growth of ~59 per cent with Rs.271.41 Cr in FY2023 (Prov). The increase in revenue is on account of increased sales volume and average realisation of almost all the models. However, the company ceased to operate in M/HCV segment since January'22 due to low margins and high working capital requirement in this segment. Going forward, Acuite believes, the revenue of the company will sustain at the healthy level backed by increasing demand for commercial vehicles.

The operating margin of the company improved moderately to 5.59 per cent in FY2022 from 5.13 per cent in FY2021 on account of cost rationalisation. However, the operating margin declined to 4.04 per cent in FY2023 (prov) on account of attractive discount provided to its customers due to intense competition from other auto dealers. The PAT margin stood at 0.90 times in FY2022 as against 0.07 times in FY2021 and further improved moderately to 1.05 per cent in FY2023 (prov).

Acuite believes that the revenues derived from the higher margin segments including workshop income, sale of spares and accessories shall support the profitability to an extent.

### **Weaknesses**

#### **Below average financial risk profile**

The company's below average financial risk profile is marked by modest networth, moderate gearing and weak debt protection metrics. The tangible net worth of the company improved to Rs.33.14 Cr as on March 31, 2022 from Rs.31.71 Cr as on March 31, 2021 due to accretion of profit to reserves. Further, the tangible net worth of the company increased to Rs.36.00 Cr as on March 31, 2023 (Prov). Gearing of the company stood at 1.60 times as on March 31, 2022 as against 1.75 times as on March 31, 2021. It further improved and stood moderate at 1.35 times as on March 31, 2023 (Prov). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.97 times as on March 31, 2022, as against 2.07 times as on March 31, 2021, and remained almost at same level at ~1.95 times as on March 31, 2023 (Prov). The weak debt protection metrics of the company is marked by Interest Coverage Ratio at 1.48 times and Debt Service Coverage Ratio at 0.89 times as on March 31, 2022 as against 1.26 times and 1.01 times respectively as on March 31, 2021. With increased portion of current maturities, the DSCR further declined to 0.86 times, whereas Interest Coverage Ratio improved moderately to 1.61 times as on March 31, 2023 (Prov). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on March 31, 2022.

Acuité believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

#### **Working capital intensive nature of operations**

The working capital-intensive nature of operations of the company is marked by improving but high GCA days of 146 days in FY2022 as compared to 193 days in FY2021. The GCA days further improved to 101 days in FY2023 (Prov). This improvement is mainly on account of better inventory management and improved collection mechanism. The inventory period improved to 60 days in FY2022 as against 92 days in FY2021 and further improved to 34 days in FY2023 (Prov). Moreover, the debtor period improved to 85 days in FY2022 as against 92 days in FY2021 and improved further to 64 days in FY2023 (Prov). The receivable from workshops generally ranges between 45-60 days. However, the company receives ~15-20 days of credit from Tata Motors.

Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

#### **Exposure to competition in automotive dealership segment**

The company's operations are dependent on Tata Motors Limited. Though, SMPL is an exclusive dealer of Tata Motor's Limited's entire range of commercial vehicles (CVs) in

Chhattisgarh, this does not prevent Tata Motors Limited from appointing any new dealer in the region. Automotive manufacturers normally encourage multiple dealers in the same area to improve market penetration. Moreover, manufacturers face competition in their respective segments, and tend to squeeze margins of dealers to reduce cost. Also, bargaining power against TML is low, which constraints operating profitability.

### **Rating Sensitivities**

- Sustenance of the profitability margins while scaling up of operations.
- Further elongation of working capital cycle.

### **All Covenants**

None.

### **Liquidity Position Stretched**

The company's liquidity is stretched marked by net cash accruals of Rs.2.67 Cr as on March 31, 2022 as against debt repayment of Rs.3.81Cr over the same period. The incremental requirement to fund the debt obligation timely is met by unsecured loan from the promoters. The current ratio stood moderate at 1.49 times in FY2022 as against 1.46 times in FY2021. Further, the fund-based limit remained moderately utilised 87.22 cent over last 6 months ended May 2023. The unencumbered cash and bank balances of the company stood at Rs.0.26 Cr as on March 31, 2022 as compared to Rs. 0.40 Cr as on March 31, 2021. The company has a fixed deposit receipt of Rs.2.36 Cr in FY2022 which is lienied with SBI against cash collateral against eDFS facility. Moreover, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 146 days as on March 31, 2022 as against 193 days as on March 31, 2021.

Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### **Outlook: Stable**

Acuité believes that SMPL will continue to benefit over the medium term from its experienced management and established association with TML. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations and profit margins, while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of deterioration in the company's financial risk profile on account of higher-than expected increase in debt-funded working capital requirements or further elongation of working capital cycle.

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	170.69	126.79
PAT	Rs. Cr.	1.54	0.09
PAT Margin	(%)	0.90	0.07
Total Debt/Tangible Net Worth	Times	1.60	1.75
PBDIT/Interest	Times	1.48	1.26

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

ICRA, vide its press release dated July 27, 2023 had denoted the rating of Shivam Motors Private Limited as 'ICRA B+/Stable/A4; ISSUER NOT COOPERATING'.

CARE vide its press release dated 22nd Feb 2023, had rated the company to CARE B/stable/A4; Issuer Not Cooperating.

### 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.75	ACUITE BB   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.88	ACUITE BB   Stable   Assigned
State Bank of India	Not Applicable	Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.15	ACUITE BB   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.72	ACUITE BB   Stable   Assigned

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:sakshi.seksaria@acuite.in">sakshi.seksaria@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.