



**Press Release**  
**Shivam Motors Private Limited**  
**November 25, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.16	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	38.50	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	6.50	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	57.16	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

ACUITE has reaffirmed its long-term rating of **'ACUITE BB'** (read as **ACUITE double Ba**) 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'**.

ACUITE has assigned its long-term rating of **'ACUITE BB'** (read as **ACUITE double Bo**) on the Rs.12.16 Cr. bank facilities of Shivam Motors Private Limited (SMPL). The outlook is **'Stable'**.

**Rationale for Rating**

The rating 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.

**Unsupported Rating**

Not Applicable

**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 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.326.86 Cr. in FY2024 registering an y-o-y growth of ~20 per cent from Rs.271.92 Cr. in FY2023. Further, the company registered a revenue of Rs. 138.81 Cr. in 6MFY2025. The increase in revenue is on the account of increased sales volume. 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. The company is focused to maintaining the existing segments of the business.

Going forward, Acuité 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 4.04 percent in FY2024 from 3.85 percent in FY2023 on account of cost rationalization and incentives received from TATA Motors for achieving the sales target. The PAT of the company declined to Rs. 0.77 Cr. in FY2024 as against Rs. 3.35 Cr. in FY23. The reason for this decline is loss incurred on the sale of company's property of Rs. 2.87 Cr. along with the loss due to fire in one of company's showroom of Rs. 0.33 Cr. These losses are exceptional and have not arisen from day-to-day business activities. The PAT margin stood at 0.24 percent in FY2024 as against 1.23 percent in FY2023. Acuité 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 net worth, moderate gearing and weak debt protection metrics. The tangible net worth of the company decreased to Rs.33.37 Cr. as on March 31, 2024 from Rs. 34.32 Cr. as on March 31, 2023 mainly on account of lower profitability which resulted in decline in the reserves and thus impacting the net worth. Gearing of the company stood at 1.63 times as on March 31, 2024 as against 1.42 times as on March 31, 2023. The reason for the increase in gearing as well as TOL/TNW is higher use of short-term debt and infusion of more USL. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.23 times as on March 31, 2024, as against 2.06 times as on March 31, 2023. The weak debt protection metrics of the company is marked by Interest Coverage Ratio at 1.36 times and Debt Service Coverage Ratio at 0.87 times as on March 31, 2024 as against 1.61 times and 0.90 times respectively as on March 31, 2023. The weak debt protection metrics is due to lesser profitability combined with the higher debt levels. The weak debt protection metrics indicates potential repayment issues however it is managed by timely infusion of unsecured loans in the company by the promoters. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on March 31, 2024 as against 0.09 times in FY2023. This decline is due to the lower NCA in FY2024 and higher debt levels in FY2024. The company has capex plans in the near future to increase the production capacity of tip trailer trucks, the cost of which will be approximately Rs. 1.50 Cr to 2.00 Cr. Acuité believes that going forward sustainability of the financial risk profile of the company needs to be seen as the company has steady cash accruals and capex plan in the near future.

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

The working capital operations of company have improved in last year as evident from gross current assets (GCA) of 89 days in FY2024 as compared to 100 days in FY2023. Debtor days improved to 54 days in FY2024 as compared to 60 days in FY2023. Inventory days improved and stood at 31 days in FY2024 as compared to 35 days in FY2023. The improvement is due to the better inventory management by the company. Creditors days have remained almost stable around 17 days in FY2024 as against 15 days in FY2023. The company receives the credit period of 15-20 days.

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

- Movement of operation and profitability margin.
- Working capital cycle

## Liquidity Position

### Stretched

The company's liquidity is stretched marked by net cash accruals of Rs.1.91 Cr. as on March 31, 2024 as against debt repayment of Rs.3.25 Cr. 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 1.30 times in FY2024 as against 1.37 times in FY2023. The unencumbered cash and bank balances of the company stood at Rs.0.80 Cr. as on March 31, 2024 as compared to Rs. 1.47 Cr. as on March 31, 2023. Moreover, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 89 days as on March 31, 2024 as against 100 days as on March 31, 2023.

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.	326.86	271.92
PAT	Rs. Cr.	0.77	3.35
PAT Margin	(%)	0.24	1.23
Total Debt/Tangible Net Worth	Times	1.63	1.42
PBDIT/Interest	Times	1.36	1.61

**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>
- 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2023	Channel/Dealer/Vendor Financing	Short Term	5.50	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	12.75	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	13.88	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	11.72	ACUITE BB   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.15	ACUITE BB   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
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB   Stable   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.75	Simple	ACUITE BB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE A4+   Reaffirmed
Tata Motors Finance Solutions Ltd.	Not avl. / Not appl.	Covid Emergency Line.	28 Aug 2021	Not avl. / Not appl.	28 Aug 2026	2.83	Simple	ACUITE BB   Stable   Assigned
Tata Motors Finance Solutions Ltd.	Not avl. / Not appl.	Covid Emergency Line.	17 Jan 2022	Not avl. / Not appl.	17 Jan 2028	1.33	Simple	ACUITE BB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	05 Jan 2021	Not avl. / Not appl.	31 Dec 2025	3.35	Simple	ACUITE BB   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 Mar 2023	Not avl. / Not appl.	31 Mar 2029	5.15	Simple	ACUITE BB   Stable   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.25	Simple	ACUITE BB   Stable   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB   Stable   Assigned

## Contacts

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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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