



Press Release
SELECT CARS
February 05, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	86.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	86.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITÉ BBB' (read as ACUITÉ triple Bo) on Rs.86.00 Cr. bank facilities of Select Cars. The outlook is 'Stable'.

Rationale for rating recommendation

The rating factors steady scale of operations, moderate financial risk profile and efficient working capital operations. The rating also factors in slight moderation in EBITDA margins of the firm which stood at 3.30% in FY24 as compared to 3.37% in FY23. However, rating is partially constrained by inherent thin margins in auto dealership business due to limited bargaining power and highly competitive nature of automobile dealer business.

About the Company

Select Cars (SC) is partnership firm incorporated in 2019, is an authorized dealer of Tata motors ltd. SC was incorporated by acquiring Concorde motors, a direct subsidiary of Tata Motors ltd. In 2019, SC started its operations with two showrooms in Hyderabad and later added another three showrooms within the Hyderabad city. SC now has total five showrooms located at Begumpet, Alkapur, Chandanagar, Karmanghat & Bachupally and four service centers located at Uppal, Miyapur, Y. Junction & L. B. Nagar. SC generates revenue through sale and service of Tata motors vehicles, firm is also into sale of spare parts for service purpose.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone approach to the business and the financial profile of Select Cars (SC) to arrive at the rating.

Key Rating Drivers

Strengths

Established market position and long track record of operations

Select Cars (SC) is partnership firm established in 2019, is an authorized dealer of Tata motors ltd. Firm is managed by partners Mr. M.Vijay Kumar Reddy, Mr. A Rama Mohana Rao and Mr. S. Vijay Bhaskar Raju and Mr. A. Raju. In 2019, SC started its operations with two showrooms in Hyderabad and later added another three showrooms within the Hyderabad city. SC now has total five showrooms located at Begumpet, Alkapur, Chandanagar, Karmanghat and Bachupally and four service centres located at Uppal, Miyapur, Y. Junction & L. B.

Nagar. SC. SC generates revenue through sale and service of Tata motors vehicles, firm is also into sale of spare parts for service purpose. Acuité believes that SC may continue to benefit from its extensive experience of partners and established track record of operations in near to medium term.

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by a net-worth of Rs. 46.65 Cr. as on 31st March 2024 against Rs. 36.14 Cr. as on 31st March 2023. The total debt of the firm is Rs. 65.16 Cr. in FY24 against Rs. 56.81 Cr. in FY23 which has led to an improvement in the gearing standing at 1.40 times in FY24 against 1.57 times in FY23. The TOL/TNW stood at 1.81 times as on 31st March 2024 against 2.31 times as on 31st March 2023. Further, the interest coverage ratio of the firm stood at 3.83 times as on 31st March 2024 against 7.76 times as on 31st March 2023 and the debt service coverage ratio stood at 3.66 times as on 31st March 2024 against 7.76 times as on 31st March 2023. The decline has been noticed because of the increase in the interest payments, which can attributed to the increased working capital limits from the vendor financing instruments proposed by the banks. Acuité believes that the financial risk profile of the firm is likely to stay on the same lines in the medium term.

Efficient working capital management

The working capital operations of SC remained moderate marked by GCA days which stood at 59 days as on 31st March 2024 against 56 days as on 31st March 2023. The inventory and debtor days of the firm stood at 43 days and 11 days respectively as on 31st March 2024 against 37 days and 15 days respectively as on 31st March 2023. On the other hand, the creditor days of the firm stood at 1 day as on 31st March 2024 against 3 days as on 31st March 2023. This moderation was noticed due to the consistency in the management policies relating to the debtor and the creditor periods accompanied with skilful inventory management by the management. Acuité believes that working capital operations of the firm is likely to remain moderate due to nature of operations of the firm and long-standing relations of SC with the creditors.

Weaknesses

Thin profitability margins inherent in auto dealership business

The firm's operating margins remained thin at 3.30% in FY24 as against 3.37% in FY23. Lower operating margins are attributable to the inherent nature of auto dealership business and lower bargaining power of the dealer. Acuité believes that profitability margins will continue to remain thin going forward considering the nature of business.

Exposure to intense industry competition

The passenger car industry in India is highly competitive. Being an authorized dealer for Tata Motors Limited (TML), the firm must compete with dealers of other car brands such as Maruti Suzuki, Hyundai, Mahendra & Mahendra etc. 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

Movement in scale of operations and margins.
Movement in working capital requirement.
Movement in capital structure.

Liquidity Position

Adequate

The liquidity profile of the firm is adequate. The firm has generated net cash accruals of Rs. 18.00 Cr. as on as on 31st March 2024 against the debt repayment obligations of Rs. 0.3 Cr. in the same period. Going forward, the firm is expected to generate sufficient net cash accruals to repay the debt obligations in near to medium term. The average bank limit utilization of the firm at the month end stood low at 2% in last 12 months ending December 2024, however the average maximum utilization of the bank limits during the month stood comfortable at 63% in last 12 months ending December 2024. The cash and bank balance of the firm stood at Rs. 7.22 Cr. on 31st March 2024. The GCA Days of the firm remained moderate at 59 days as on 31st March 2024 against 56 days as on 31st March 2023 on account of improvement in debtor and creditor cycle albeit moderation in inventory turnover cycle. However, going forward Acuité believes that the firm is likely to maintain adequate liquidity position on account of steady accruals.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	647.59	672.43
PAT	Rs. Cr.	16.53	24.00
PAT Margin	(%)	2.55	3.57
Total Debt/Tangible Net Worth	Times	1.40	1.57
PBDIT/Interest	Times	3.83	7.76

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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
08 Nov 2023	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	5.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	15.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	5.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	18.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	8.00	ACUITE BBB	Stable (Assigned)
	Channel/Dealer/Vendor Financing	Long Term	5.00	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
Karur Vysya Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BBB Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB Stable Reaffirmed
Tata Motors Finance Solutions Ltd.	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	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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