



**Press Release**  
**SHREE AUTOMOTIVE PRIVATE LIMITED**  
**October 31, 2024**  
**Rating Assigned**

| Product                            | Quantum (Rs. Cr) | Long Term Rating                | Short Term Rating    |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings                  | 83.00            | ACUITE BBB-   Stable   Assigned | -                    |
| Bank Loan Ratings                  | 105.00           | -                               | ACUITE A3   Assigned |
| Total Outstanding Quantum (Rs. Cr) | 188.00           | -                               | -                    |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                               | -                    |

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minusa**) and short-term bank '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.188 Cr. bank facilities of Shree Automotive Private Limited (SAPL). The outlook is '**Stable**'.

**Rationale for Rating**

The assigned rating factors in the extensive experience of the management and established track record of operations in the automobile industry for more than three decades. Also, the improvement in the scale of operations and slight improvement in the margins along with moderate financial risk profile exhibited by moderate gearing and comfortable debt protection metrics has been taken into consideration. However, the strengths are partly off-set by the intensive working capital operations marked by moderate inventory and debtor days.

**About the Company**

Shree Automotive Private Limited (formerly Shree Automobiles Private Limited) was set up in February 2000, by Mr. Sharad Kumar Kedia and his family, based in Kolkata; it acquired the current name in 2009. The company is an authorized dealer for Commercial Vehicles manufactured by Ashok Leyland, passenger vehicles and CVs of Mahindra & Mahindra in various districts of West Bengal. Mr. Saurabh Kedia, Ms. Sarita Kedia, Mr. Sharad Kumar Kedia and Mr. Abhishek Kedia are the present directors of the company.

**Unsupported Rating**

Not applicable.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SAPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management and established track record of operations**

SAPL has an established position as an auto dealer, with experience of over 25 years. It has extensive presence in various districts of West Bengal. It is the dealer for Ashok Leyland Ltd (ALL) vehicles and Mahindra & Mahindra. The directors of the company are Mr. Saurabh Kedia, Ms. Sarita Kedia, Mr. Sharad Kumar Kedia and Mr. Abhishek Kedia.

Acuite believes the SAPL will maintain its established position in the auto dealership business, driven by its dominant position in CV and PV dealership in near to medium term. Going forward, company will continue to benefit from the promoter's experience.

**Improvement in the scale of operations**

The company has witnessed an improvement in the operations of the company wherein the revenue of SAPL

recorded a revenue of Rs.759.40 Crore in FY24 against Rs.701.61 Crore in FY23. The increase in the turnover is backed by increase in the volume of vehicles sold. In results, the EBITDA margins of the company has shown an improvement stood at 4.06% in FY24 against 4.00 % in FY23. The company has already achieved sales Rs.408 Crore in last five months ended August 2024. Acuite believes that going forward, the company is expected to generate revenue under the range of Rs.950 Crore in next two years supported by the better margins as compared to previous years.

### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by net-worth of Rs.74.69 Crore as on 31st March 2024 against Rs.70.75 Crore as on 31st March 2023. The increase in the net-worth is due to accumulation of profits into reserves and subordination of unsecured loans. Further, the total debt of the company stood at Rs.231.13 Crore as on 31st March 2024 against Rs.215.54 Crore as on 31st March 2023. As a result, the gearing of the company has shown slight deterioration which stood at 3.09 times as on 31st March 2024 against 3.05 times as on 31st March 2023. The coverage indicators of the company quite comfortable reflected by debt service coverage ratio and interest service coverage ratio which stood at 1.03 times and 1.27 times respectively as on 31st March 2024 against 1.05 times and 1.29 times respectively as on 31st March 2023. Acuite believes that the financial risk profile of the company is expected to improve in near to medium term in the absence of any debt funded capex in near to medium term.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The working capital management of the company is intensive marked by GCA days of 133 days in FY24 as against 132 days in FY23. The company maintains inventory levels of around 70 days in FY24 as against 61 days for FY23. In order to satisfy customer demand and prevent supply shortages, the average inventory holding duration often stays within the same range. The company's debtor days in FY24 are 55 days, compared to 60 days in FY23. The fact that most cars are financed by banks and that the loan processing takes time contributes to the moderate debtor days. Generally, the company uses EDFS facility offered by banks to purchase the automobile, in which the dealer has to pay upfront to the OEM. As a result, the reliance of working capital limits in the form of EDFS is reflected by higher dependence on the external borrowing resulted into average utilization of around ~96.89 percent in last 06 months ended August 2024.

#### **Low operating profitability**

As a dealer of vehicles manufactured by original equipment manufacturers, SAPL has no control over vehicle prices, which limits its ability to improve operating profitability. Furthermore, the company is also engaged in the sales of spares and servicing of vehicles, which is contributing almost 16% of the total revenue and it is expected to be increased in near to medium term, which will help company to fetch better margins in near to medium term. Acuite believes SAPL's profitability margin may improve over the medium term.

### **Rating Sensitivities**

- Movement in the business risk profile supported by increase in scale of operations and margins.
- Movement in working capital requirement.

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company is adequate. The company has generated net cash accruals of Rs.5.45 Crore as on 31st March 2024 against the debt repayment obligation of Rs.4.54 Crore in the same period. The available accruals are tightly matched with the debt repayment obligation. However, going forward, the company is expected to generate sufficient net cash accruals against the debt repayment obligation in the near to medium term. The current ratio of the company stood at 1.30 times as on March 31, 2024 against 1.33 times as on March 31, 2023. The unencumbered cash and bank balance of the company stood at Rs.1.81 Crore as on March 31, 2024 against Rs.3.33 Crore as on March 31, 2023. Further, the company do have high dependence over external borrowing which stood at 96.89% in last six months ended August 2024 due to nature of nature of business in automotive industry.

### **Outlook: Stable**

#### **Other Factors affecting Rating**

None.

## Key Financials

| Particulars                   | Unit    | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 759.40         | 701.61         |
| PAT                           | Rs. Cr. | 3.95           | 3.12           |
| PAT Margin                    | (%)     | 0.52           | 0.44           |
| Total Debt/Tangible Net Worth | Times   | 3.09           | 3.05           |
| PBDIT/Interest                | Times   | 1.27           | 1.29           |

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

CRISIL , vide its press release dated February 21st, 2024 had denoted the rating of Shree Automotive Private Limited as CRISIL B/ Stable/ A4 'Reaffirmed and Issuer not co-operating'.

CARE , vide its press release dated November 02nd, 2023 had denoted the rating of Shree Automotive Private Limited as CARE BB-/ Stable/ A4 'Reaffirmed and Issuer not co-operating'.

### 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 :

Not applicable.

## 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 BBB-<br>  Stable  <br>Assigned |
| Indusind Bank Ltd   | Not avl. / Not appl. | Channel/Dealer/Vendor Financing    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 10.00             | Simple           | ACUITE A3  <br>Assigned               |
| RBL Bank            | Not avl. / Not appl. | Channel/Dealer/Vendor Financing    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 19.50             | Simple           | ACUITE A3  <br>Assigned               |
| RBL Bank            | Not avl. / Not appl. | Channel/Dealer/Vendor Financing    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.00              | Simple           | ACUITE A3  <br>Assigned               |
| Axis Bank           | Not avl. / Not appl. | Channel/Dealer/Vendor Financing    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 10.00             | Simple           | ACUITE A3  <br>Assigned               |
| Bank of Baroda      | Not avl. / Not appl. | Channel/Dealer/Vendor Financing    | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 64.50             | Simple           | ACUITE A3  <br>Assigned               |
| HDFC Bank Ltd       | Not avl. / Not appl. | Inventory Funding                  | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.00              | Simple           | ACUITE BBB-<br>  Stable  <br>Assigned |
| Indusind Bank Ltd   | Not avl. / Not appl. | Working Capital Demand Loan (WCDL) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 63.00             | Simple           | ACUITE BBB-<br>  Stable  <br>Assigned |

## Contacts

|   |   |
|---|---|
| Mohit Jain<br>Senior Vice President-Rating Operations | <b>Contact details exclusively for investors and lenders</b>  |
| Depanshi Mittal<br>Lead Analyst-Rating Operations     | Mob: +91 8591310146<br>Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@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.