

Crystal Autocars Private Limited

July 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	62.70	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	2.30	CARE BB-; Stable / CARE A4 (Double B Minus; Outlook: Stable/ A Four)	Assigned
Total Bank Facilities	65.00 (₹ Sixty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Crystal Autocars Private Limited (CAPL) continue to remain constrained mainly on modest though improving scale of operations, low profitability margins, moderate capital structure and weak coverage indicators. The rating is further constrained on account of pricing constraints and margin pressure arising out of competition from various auto dealers in the market and cyclical nature of auto industry. However, the ratings derive strength from experienced promoters and strong brand value of MG motors.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations of Rs.350 crore and above on a sustained basis.
- Improvement in profitability margin as marked by PBILDT margin above 5.00% on sustained basis.
- Improvement in overall gearing below 1.00x on sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in Operating cycle above 50 days.
- Deterioration in profitability margin as marked by PBILDT margin below 1.25% on sustained basis.

Detailed description of the key rating drivers

Key rating weaknesses

Modest though improving scale of operations

The total operating income (TOI) of the company remain modest though improving from Rs 188.76 crore in FY20 to Rs 255.55 crore in FY22. The increase in income from operations can be attributed to increase in demand from customers. Further, the company's tangible net worth base was relatively small at Rs 4.99 crore as on March 31, 2022. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Low Profitability margins

The profitability margins of the company remained low as marked by PBILDT margin and PAT margin of 1.72% (PY:2.04%) and 0.47% (PY: 0.56%) respectively in FY22. However, the company has limited negotiating power with manufacturers and has no control over the selling price as the same is fixed by the manufacturers, thus the margins remained low over the medium term.

Moderate capital structure and Weak debt coverage indicators

As on March 31, 2022, the debt profile of the company comprises of term loans of Rs. 1.85 crores and working capital borrowings of Rs. 14.43 crores respectively as against tangible net worth of Rs.4.99 crores. The unsecured loan to the tune of Rs. 6.93 crores and Rs.6.82 crores in FY21 and FY22 respectively is classified as quasi equity as the same is subordinated to debt as per sanction letter. Further, the capital structure of the company remains moderate as marked by overall gearing ratio at 1.42x, on account of moderate dependence on external borrowing to meet the working capital requirements of the company coupled with small net worth base of the company.

Further, in FY22 due to low profitability levels and high debt levels, the coverage indicators remained weak marked by interest coverage ratio and total debt to GCA stood at 1.85x (PY:1.87x) and 9.46x (PY: 18.63x) respectively.

Pricing constraints and margin pressure arising out of competition from various auto dealers in the market.

MG has wide and established distribution network and a network of service centres across India which provides it a competitive advantage over its peers. MG's fully integrated state-of-the-art manufacturing plants boasts advanced production, quality, and testing capabilities. The margin on products is set at a particular level by MG thereby restricting the company to earn

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

incremental income. The company also faces aggressive competition from various other established automobile dealers of companies like Maruti Suzuki, Hyundai Motors and Tata Motors Limited (rated CARE AA-; Stable/ CARE A1+) etc. To capture the market share, the auto dealers have to offer better buying terms like providing credit period or allowing discounts on purchases which create pressure on margins and negatively impact the earning capacity of the Company.

Cyclical nature of the auto industry

The automotive sector is dependent on economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. A hike in interest rate increases the costs associated with the purchase leading to purchase deferral. Fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The policies implemented by the government also have a direct bearing on the sale of passenger vehicles.

Key rating strengths

Experienced promoters

Crystal Autocar Private Limited (CAPL) was incorporated on 26 Oct 2018 by Mr. Shubham Gupta and his family members. Mr. Shubham Gupta is chartered accountant by qualification and Mr. Shobhit Gupta has done Master of Business Administration. The overall operations CAPL is being managed by Mr. Shubham Gupta and Mr. Shobhit Gupta who has accumulated vast experience in the automobile industry. They are well supported by other directors of the company in managing day-to-day operations of the company.

Strong brand value of MG Motor:

MG Motor is owned by a Shanghai-based Chinese state-owned automotive SAIC Motor Corporation Limited (SMCL), which is the world's 7th largest automobile. MG Motor is the largest importer of Chinese made cars into the United Kingdom and is also one of the fast-growing automotive brands. The company is 94 years old when they used to make 2-seater sports cars. In India, they have a network including MG India's plant at Halol, Vadodara, Gujarat and the MG India Head office at Gurgaon, Haryana.

Liquidity: Adequate

The liquidity of the company is adequate as characterized by moderate average working capital utilization to the tune of around 50% over past twelve months ending April 2022. Further, the company has generated gross cash accruals of Rs 1.72 Cr in FY22 and is expected to envisage gross cash accruals of Rs 1.98 crore in FY23 against repayment obligations amounting to Rs 1.16 Cr in same year. The company has moderate cash and bank balances of Rs 3.30 Cr as on March 31, 2022, which are unencumbered.

Analytical approach- Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Nonfinancial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Auto Dealerships](#)

About the company

Crystal Autocars Private Limited (CAPL) was incorporated on 26 Oct 2018 by Mr. Shubham Gupta and his family members and is a dealer of Morris Garages (MG MOTOR INDIA PRIVATE LIMITED). The company has its registered office in East Delhi. CAPL currently operates four showrooms and service centers each at Noida, Ghaziabad, Patel Nagar and Patparganj. It currently sells all models of MG Motors through its outlets. The company manages its operations through its 2S (Sales & Service) with its facility located in Hapur and Bulandshahr and 3S (Sales, spare and service) facility located in Delhi and Noida, Uttar Pradesh. In addition to that company also exports mobile sets to Dubai.

Brief Financials (₹ crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	188.76	214.26	255.27
PBILDT	2.59	4.37	4.39
PAT	0.86	1.19	1.21
Overall gearing (times)	7.57	2.97	1.42
Interest coverage (times)	2.39	1.87	1.85

A: Audited; Prov.: Provisional.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	61.70	CARE BB-; Stable
Fund-based - LT-Cash Credit		-	-	-	1.00	CARE BB-; Stable
Fund-based/non-fund-based-LT/ST		-	-	-	2.30	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Electronic Dealer Financing Scheme	LT	61.70	CARE BB-; Stable				
2	Fund-based - LT-Cash Credit	LT	1.00	CARE BB-; Stable				
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	2.30	CARE BB-; Stable / CARE A4				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3	Fund-based/non-fund-based-LT/ST	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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