

Vipul Motors Private Limited (Revised)

October 18, 2021
Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	45.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	180.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	225.00 (Rs. Two Hundred Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Vipul Motors Private Limited (VMPL) to monitor the rating(s) vide e-mail communications/letters dated September 27, 2021, September 01, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on VMPL's bank facilities will now be denoted as **CARE BB/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-receipt of substantial information due to which CARE was not able to gauge company's latest operational performance and liquidity.

Detailed description of the key rating drivers

At the time of last rating on August 19, 2020 the following were the rating strengths and weaknesses (updated for the information available from Registrar of companies):

Key Rating Weaknesses

Moderate Financial Risk Profile with modest profitability margins and leveraged capital structure: An automotive dealer's revenues are primarily driven by volumes, while the profits are driven by the sale of spares and service income, as the latter fetches higher profit margins. The company has limited

negotiating power with manufacturers and has no control over the selling price of the vehicles as the same is fixed by the manufacturers. Thus, the profitability margins of the company stood low. The PBIDLT margin stood low at 2.00% during FY20 (PY: 1.83%). And the PAT margin of the company stood at 0.13% during FY20 (PY: 0.23%). The capital structure of the company is leveraged characterized by an overall gearing of more than 4x consistently for the past three fiscals. The same is on account of lower net-worth base of the company vis-à-vis higher amount of debt. As on March 31, 2020, the overall gearing of the company improved and stood at 4.83x as against 5.47x as on March 31, 2019. The total debt of the company has also reduced y-o-y and stood at Rs. 194.80 crores as on March 31, 2020 (PY: Rs. 211.91 crores).

Debt Coverage Indicators: Owing to moderate profitability and higher debt, the debt coverage indicators of the company stood modest. The interest coverage remained low and reduced further to 1.35x for FY20 as against 1.42x as in FY19. The Total Debt to GCA ratio stood high at 27.74x as on March 31, 2020 (PY: 30.00x) improved mainly on account of reduction in total debt while the cash accruals have remained same.

Limited bargaining power and Fortunes of the company linked with growth plans of the manufacturer:

The company procures its product directly from its principal; and is not dependent upon any dealers/distributors for business which helps the company to avail better pricing of purchases. Furthermore, the fortunes of the company are directly linked to its supplier. This also exposes the company's revenue growth and profitability to its supplier's future growth prospects. Any impact on business and financial profile of the manufacturer will also have an impact on the growth prospects of the company. Moreover, dealers have less bargaining power over principal manufacturer.

Inherent competition and cyclical nature of the auto industry: The company is exposed to competition from the products of other OEM's and dealers operating in the same region. In order to capture the market share, the auto dealers' offers better buying terms like allowing discounts on purchases. Such discounts offered to customers create margin pressure. Accordingly, the company has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's association with its customers, its established network helps it to sustain the competition to an extent and maintain its strong market position in the region. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Key Rating Strengths

Experienced promoters: Vipul Motors Private Limited was incorporated on March 07, 1988 and is promoted by the Delhi-based Beriwal family. Currently, the operations of the company are being managed by Mr. Vineet Beriwal, who is supported in his operations by his wife, Mrs. Uma Beriwal, who have an experience of more than three decades in the business. Further, company has a dedicated team of marketing and sales professionals, service in-charge and customer relation officers, who have significant experience in their respective fields

Widespread presence across North India Region along with well-established relationship with MSIL: Vipul Motors Private Limited (VMPL) has operational track record of more than 30 years in the auto dealership business. VMPL handles the sales and service of all types of MSIL's cars. It has a widespread presence across North India Region. The company initially began with single dealership in Faridabad; however, over the years, it has expanded its reach and today it has presence across five locations with eighteen showrooms and eleven workshops. The company has an authorized dealership of Maruti Suzuki India Limited (MSIL) for its brands NEXA and ARENA; particularly in the North India Region. MSIL has been the market leader in passenger car segment for more than three decades.

Large Scale of Operations: The company has large scale of operations characterized by TOI of Rs.1192.62 crores during FY20. The same is mainly attributable to the long track record of operations of the company. Therefore, the large scale provides the financial flexibility along with the benefits of economies of scale. The company sold 22,667 vehicles during FY19 as against 21,210 vehicles sold during FY18. The company reported y-o-y decline of around 9% in the sales volume. The company sold 20,713 vehicles during FY20. The same has been primarily on account of the slow-down in the auto sector coupled with the impact of Covid-19 in the last quarter of FY20.

Efficient Management of Working Capital Cycle: The company has efficiently managed its working capital cycle as reflected in its operating cycle days of around a month over the last three fiscal years ended March 31, 2020, particularly driven by moderate levels of inventory and low collection period. As against this, an immediate payment is made by the company to MSIL.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity analysis – Non-financial sector](#)

[Financial ratios – Non-financial sector](#)

[Rating Methodology – Auto Dealership](#)

About the Company

Vipul Motors Private Limited was incorporated on March 07, 1988 and is promoted by the Delhi-based Beriwalla family. The company is an authorized dealer of Maruti Suzuki India Limited, particularly in the North India Region. It is primarily engaged in the sale of new cars, servicing of vehicles, sale of spare parts and sale and purchase of pre-owned cars.

Brief Financials

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1255.66	1192.62
PBILDT	22.98	23.91
PAT	2.92	1.56
Overall gearing (times)	5.47	4.83
Interest coverage (times)	1.42	1.35

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

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure2

Annexure 1: Details of Instrument/ Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Working Capital Limits		-	-	-	130.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits		-	-	-	20.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits		-	-	-	30.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ST-Cash Credit		-	-	-	45.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure 2: Rating history of past 3 years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Working Capital	ST	130.00	CARE A4+; ISSUER NOT	-	1)CARE A4+ (19-	-	-

	Limits			COOPERATING*		Aug-20)		
2	Fund-based - ST-Working Capital Limits	ST	20.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (19-Aug-20)	-	-
3	Fund-based - ST-Working Capital Limits	ST	30.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (19-Aug-20)	-	-
4	Fund-based - LT/ST-Cash Credit	LT/ST*	45.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (19-Aug-20)	-	-

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / 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/ ST-Cash Credit	Simple
2	Fund-based - ST-Working Capital Limits	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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