

SKYDAC Auto and Infra Private Limited

March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	49.19	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

SKYDAC Auto and Infra Private Limited (SAIPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on SAIPL's bank facilities will now be denoted as CARE BB; Stable; 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 revision in the rating assigned to the bank facilities of SAIPL factors in leveraged capital structure of the company with weak debt coverage indicators. The rating also factors in the limited bargaining power with principal automobile manufacturer and highly competitive and cyclical nature of industry. However, the rating derive strength from experienced promoters in the automobile dealership industry established dealership and relations with Kia Motors and growing scale of operations.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

Key weaknesses

Leveraged Capital structure with weak debt coverage indicators: The capital structure of the company moderated and stood leveraged as marked by the overall gearing of 2.59x as on March 31, 2023, as against 1.75x as on March 31, 2022. The total debt of the company stood at Rs. 30.21 crores against the net worth base of Rs. 11.65 crores as on March 31, 2023. The debt coverage indicators also remain weak as characterized by interest coverage ratio and TDGCA of 2.43x and 10.34x respectively as on March 31, 2023. However, the company has negligible term loans and majority of the debt is from the dealership financing schemes of Rs.57 crores and cash credit of Rs 2 crores. The increase in the debt levels was on account of higher working capital borrowings to support the growth in scale.

Low profitability margins: The profitability margins in the dealership market have remained low because of the low value addition. The company has low profitability margins with PBILDT margins of 1.76% and PAT margins of 0.49% respectively as on March 31, 2023, as compared to 2.71% and 1.87% respectively on March 31, 2022.

Intense competition in the industry: Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Maruti Suzuki India Limited, Tata Motors Limited (TML), Hyundai, Honda, Toyota etc. in the passenger vehicle segment and Tata Motors, Ashok Leyland, Eicher Motors, Daimler India Commercial Vehicles, etc in the commercial vehicle segment. The performance of SAIPL is linked to the growth of Kia Motors and how it faces competition from the other auto manufacturers. Apart from competition from the dealerships of other brand vehicles, SAIPL also faces direct competition from the other Kia Motors dealerships in the regions where it has presence. Further, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the movement in 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.

Limited bargaining power with principal automobile manufacturer: The company's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer (Kia Motors). The margin on products is set at a particular level by the principal manufacturer thereby restricting the company to earn incremental income.

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

Key strengths

Increasing scale of operations: The scale of operations of the company grew substantially marked by Total Income from Operations (TOI) of Rs. 290.81 crore in FY23 (refers to period April 1 to March 31) as against Rs. 170.97 crore in FY22. The increase is on account of higher demand in passenger vehicle segment. Further, in 9MFY24 (refers to period April 1 to December 31), the company has booked topline of Rs 191.03 crores. The company generates around 95% of its revenues from sales of cars and the rest from the sales of spare parts and repair and maintenance work from their 2 workshops located in Lucknow (One started from Feb 2020, and another started from December 21). The company is looking to expand in the rural areas.

Experienced Promoters: The promoters in the company are Mr Manjeet Singh Talwar and Mr Sanjeet Singh Talwar. Both of them hold combined experience of around 4 Decades. Apart from the promoter experiences, the other family members of the promoters are also engaged in automobile industry with other dealerships of Mahindra & Mahindra, Jeep, Ashok Leyland, Tata Motors etc.

Liquidity: Adequate

The company has cash and cash equivalents of 3.26 crores and GCA of 2.92 crores as on March 31, 2023. The company has low debt repayment of Rs 0.08 crores in FY24 for their GECL loans. The operating cycle has remained low on account of no trade receivables. As per the banker, the working capital utilisation has remained around 70% in last 12 trailing months ended December 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

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About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

SKYDAC Auto and Infra Private Limited was incorporated in November 2019 by Mr Manjeet Singh Talwar and Mr Sanjeet Singh Talwar. The company has automobile dealership of Kia Motors, situated in Lucknow. The company commenced its operations from Feb 2020 with the dealership of Kia with 2 showrooms located in Krishna Nagar and Jankipuram, Lucknow. They also have 2 service centres in Lucknow located in Sarojni Nagar and Bhitoli Khurd.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	170.97	290.81	191.03
PBILDT	4.63	5.12	NA
PAT	3.19	1.42	NA
Overall gearing (times)	1.75	2.59	NA
Interest coverage (times)	7.35	2.43	NA

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: No

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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-Cash Credit		-	-	-	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	47.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31-05-2024	0.19	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	0.19	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable (27-Apr-23)	-	-	-
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable (27-Apr-23)	-	-	-
3	Fund-based - LT-Electronic Dealer Financing Scheme	LT	47.00	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable (27-Apr-23)	-	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated: Not Applicable

Note on the 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.

Contact us

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About us:

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