Tushi Motors Private Limited

April 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	7.51	CARE BB; Stable	Assigned
Short Term Bank Facilities	70.29	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Tushi Motors Private Limited (TMPL) is constrained by limited experience of promoters in auto dealership business, thin profitability margins inherent to auto-dealership business, low net worth leading to leveraged capital structure and modest debt protection metrics and stretched liquidity. The ratings also factor in the limited geographical presence with operations confined to the state of Odisha, intense competition and cyclical nature of the auto industry and project risk. The rating, however, derives strength from the resourceful promoters who have presence across diverse businesses and have infused funds to support growing scale of operations and comfortable working capital cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations above Rs 300 crores while sustaining operating margins of FY23 levels.
- Improvement in overall gearing below 3.00x on a consistent basis.
- Positive cash flow from operations leading to improvement in Total debt to CFO.

Negative factors

- Consistent decline in sales volume impacting profitability levels and liquidity position.
- Deterioration in the capital structure as marked by overall gearing ratio above 5x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the strong market share of the principal (Maruti Suzuki India Limited – MSIL) in the domestic automobile market, which coupled with stable revenue stream from spares and services business shall enable the company to sustain its satisfactory operational profile and fund support from promoters, if required.

Detailed description of the key rating drivers:

Key weaknesses

Limited experience of promoters in auto dealership business: The company began operations largely from FY21, after signing a deal with Maruti in January 2020, with FY21 being the first full year of operations. Therefore, the promoters have limited track record of operations in auto dealership business.

Thin profitability margins inherent in dealership business: The company's operating margin has remained thin in the past primarily on account of the trading nature of operations. Besides, the company has limited negotiating power and limited pricing flexibility with the principal. The market also faces aggressive competition from various other established automobile dealers of the companies. The company's average operating margins over the past three years ending FY23 have remained at around 1.19%, however the same has improved significantly in the past two years, i.e., in FY23 and FY24 (Prov), wherein the company has reported margins of around 2.77% and 3.51% respectively. The cushion in margin is mainly provided by a stable service income which carries better margins. Going forward, the company expects to generate more value from the service side, because of Maruti's strong on-road presence.

Low net worth leading to leveraged capital structure and modest debt-coverage indicators: The company's net worth base remains low at Rs.11.11 crore as on Mar 31, 2023, and Rs.18.35 crore as on Mar 31, 2024, respectively due to short track record of operations and turning profitable only from FY23 onwards. TMPL must maintain sufficient level of inventory which is mandated by the principal. The company funds inventory and other working capital requirement through inventory financing from banks. TMPL debt structure mainly consist of working capital borrowings which includes Inventory funding and a Cash credit limit, apart from the same, the debt also consists of unsecured loans, vehicle loans and GECL loan. Capital structure of TMPL remained leveraged with overall gearing of 4.27 times as on Mar 31, 2023, due to low net worth base, however recorded improvement in FY24 and stood at 4.04 times. Debt coverage indicators of the company stood modest with TD/GCA of 25.70 times in FY23 as against 68.73 times in FY22 and interest coverage of 1.54x in FY23 (PY: 1.00x in FY22). However, with improvement in margins

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

in FY24, the same has recorded improvement and stood at 16.14 times and 2.26 times, respectively. Total debt to Net CFO has remained negative over the last 3 years. Improvement of the same remains a key rating sensitivity.

Operations confined to the state of Odisha: The company's scale of operations though growing, remains constrained due to its limited geographical presence. The company has a dealership of Maruti Suzuki India Limited passenger vehicles and Light Commercial Vehicles, only in the state of Odisha thus exposing the company to socio-economic risks associated with the region. As a result, the company does not get benefit from economies of scale and during financial stress it may impact the financial flexibility of the company.

Intense competition and cyclicality in auto industry: Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market. Entry of the global players in the Indian market has further intensified the competition. Hence, original equipment manufacturers (OEMs) offer various discount schemes to attract customers. Due to very high competition in the industry, the dealers are also forced to pass on discounts and exchange schemes to attract the customer as this is a volume-driven business. Furthermore, the automotive sector is dependent on economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. Further, the policies implemented by the government also have a direct bearing on the sale of passenger vehicles.

Project risk: To cater to the growing demand, the company is planning to add, another Rural outlet (R-outlet) and 2 workshops, one each for providing services for cars sold under Arena and Nexa. The total estimated cost is touted to be around Rs 22 crores, of which Rs 12 crores will be funded through term loan and remaining through promoters' contribution. The debt is yet to be tied up and the company has incurred close to Rs 2 crores as of March 31, 2024. The project is expected to get completed by Q3FY25.

Key Strengths

Resourceful Promoters with presence across diverse businesses: The company is promoted by the Patnaik family of Odisha who hold major interests in mining activities and are resourceful. The promoter Mr Anshuman Patnaik has also interest in real estate & in trading of minerals through other group companies. He is ably supported by Mrs Preeti Pallvi Patnaik who is the Managing Director of TMPL. Mrs Indrani Patnaik, mother of Mr. Anshuman Patnaik is a leading industrialist in the state of Odisha and is the owner of several mines.
Owing to initial stages of operations, the promoters are infusing unsecured loans (USL) to support the growth of the company. As of March 2023, the company equity capital stood at Rs 15.38 crores and USL stood at Rs 10.39 crores which has increased to Rs 19.37 crores and Rs 14.88 crores as of March 2024, respectively.

Growing scale of operations: The company has recorded a revenue growth at a CAGR of 58.12% from 2021 till 2023. The company began operations majorly from FY21, after signing a deal with Maruti in January 2020 and in the last fiscal, i.e., FY24, the company has reported a turnover of Rs 235.01 crores.
TMPL, an authorized dealer of Maruti Suzuki India Limited, derives major portion of its income from sale of vehicles. During FY23, around 91% of total income was contributed by vehicles sales (in total around 2139 units were sold in FY23, a growth of 57% from what was sold in FY22), 5% came from sale of accessories and spares, and the other 4% was from labour service charges, commission & incentives. The company currently sells vehicles through its 6 showrooms including outlets for Nexa, Arena, R-outlet, a commercial outlet, and a Tru Value showroom and provides services through its 3 workshops and runs one driving school too.

Comfortable working capital cycle: The company has efficiently managed its working capital cycle as reflected in its operating cycle days which is 31 days as on March 31, 2023. As the sales are made to the customers mostly on "Cash and Carry" basis with certain percentage of vehicles bought on vehicle financing. The same leads to the average collection period of around 3-5 days. Majority of the receivables outstanding as of FY-end, pertains to sales made and billed against which the delivery is done in 8 to 10 days. Further, on account of the low bargaining power with it principal, the company receives shorter credit period and immediate payment is to be made which result in an average creditors period of around 1 to 2 days. However, on the other hand the company is required to stock different models of vehicles and spares to ensure adequate availability and visibility, and as a result the inventory holding days of the company stood at 27 days during FY23 (PY: 16 days). On an average the company maintains an inventory of around 30 days which mainly comprises of commercial vehicles, spares, accessories, and lubricants.

Liquidity: Stretched

TMPL liquidity is stretched marked by higher utilisation of the working capital limits largely to fund its inventory. The average maximum utilisation of the cash credit account for the last 12 months ended February 2024 stood at 94% whereas the average maximum utilisation of E-DFS stood at 92.04% for the similar period. The promoters have infused funds to support growing scale of operations and to fund debt repayment obligations. Cash flow from operations of the company has stood negative over the last three years. The current ratio as on March 31, 2023, stood below unity at 0.89 times when compared with previous year where it stood at 0.88 times. The company is expected to generate sufficient accruals to meet its debt repayment obligations going ahead and in case of shortfall, the management has articulated that promoters would infuse funds.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Auto Dealer
Short Term Instruments

About the company and industry

Industry classification

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

Tushi Motors Private Limited (TMPL) was incorporated in 2010 as Altrade Motors Private Limited though operations commenced from 2020, when the company bagged the dealership of Maruti Suzuki India Limited. The company is promoted by Mrs Preeti Pallavi Patnaik and Mr Anshuman Patnaik.
The company currently operates 6 showrooms, 3 workshops and 1 driving school and has sold more than 4700 vehicles from FY20. The company derives majority of revenue from sale of vehicle and sale of spare & accessories, and servicing of vehicles.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	77.47	144.69	235.01
PBILDT	1.12	4.01	8.24
PAT	-0.69	0.36	3.24
Overall gearing (times)	1.77	4.27	4.04
Interest coverage (times)	1.00	1.54	2.26

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	November 2026	2.51	CARE BB; Stable
Fund-based - ST-Others		-	-	-	70.29	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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	2.51	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable				
3	Fund-based - ST-Others	ST	70.29	CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Term Loan	Simple
3	Fund-based - ST-Others	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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.

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