

Mahabhairav Auto LLP (Revised)

May 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	18.50	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	0.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.60	CARE A4; ISSUER NOT COOPERATING*	Revised from CARE A4+ 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

CARE Ratings Ltd. (CARE) has been seeking monthly 'No Default Statement (NDS)' from Mahabhairav Auto LLP (MALLP) to monitor the rating(s) vide e-mail communications/letters dated February 29, 2024 and May 02, 2024, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the NDS for monitoring the ratings. Further, the client has also not shared audited financial statements for the financial year ended March 31, 2023.

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 MALLP's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING* / 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 inability to monitor the performance of the firm due to lack of requisite information which is critical for assessing the credit profile of the firm. The ratings continue to remain constrained by constitution as limited liability partnership, limited bargaining power with Mahindra and Mahindra Limited (M&M), renewal-based dealership agreement and presence in a cyclical and intensely competitive auto industry. The ratings also factor in moderate capital structure and debt coverage indicators. The ratings, however, continues to derive strength from improvement in total operating income during FY23 (refers to the period from April 01 to March 31) along with improvement in Q1FY24, long operational track record with experienced partners, authorized dealer of M&M in various districts of Assam and diversified revenue stream.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on August 04, 2023, the following were the rating strengths and weaknesses:

Key weaknesses

Constitution of the entity as a LLP:

MALLP constitution as a LLP has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency. Moreover, LLP have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Limited bargaining power with M&M and dependence on volume momentum:

MALLP's automobile dealership model is purely in the nature of trading wherein profit margins are very thin and bargaining power over the principal manufacturer is also low. The gross margin is set at a particular level of around 5% margin (after adjustment for incentives received and cash discounts given) on sale of vehicles and 10- 15% of margins on sale of spares. Hence the entity's growth prospects depend on the ability to increase its volume momentum and capitalize on the spares and service segment.

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

Cyclical nature of the auto industry:

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the 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 group thus faces significant risks associated with the dynamics of the auto industry.

Intense competition in the auto dealership industry:

Indian automobile industry is highly competitive in nature as there are large number of players operating in the market like TATA Motors, Force, Eicher Motors Ltd etc. in UV segment, Bajaj Auto Ltd, TVS Motor etc. in LCV and Piaggio, TVS Motors, Kinetic Motors, etc. in three wheelers segment. Original Equipment Manufacturers (OEM) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of various global players in the Indian market has further intensified the competition. Due to the intense competition, dealers are also forced to pass on discounts, vouchers and exchange schemes to attract customers which further restrict their operating margins.

Renewal based dealership agreement:

The dealership agreement between Mahindra & Mahindra Limited (M&M) and MALLP is valid for three years subject to renewal (last renewal was done in March 2021). On the expiry of the term a fresh agreement is signed between the two parties based on mutual consent. Though the non-renewability of the same would pose a risk to the business sustenance of the entity, the past track record on agreement renewability mitigates the risk related to renewability to an extent.

Key strengths**Improvement in financial performance in FY23 with continuing improvement in Q1FY24:**

MALLP's total operating income improved 47.51% y-o-y to Rs. 279.61 crore in FY23 vis-à-vis Rs. 189.55 crore in FY22. In Q1FY24, the firm reported a total operating income of Rs. 85.71 crore majority being contributed from the sale of vehicles. The increase in operating income was on account of majorly increase in revenue from vehicles sold. The operating margin was stable at 2.69% in FY23. Interest coverage remained stable at 4.22x in FY23. The firm reported gross cash accruals of Rs. 5.67 crore in FY23 vis-à-vis Rs. 3.39 crore in FY22.

Authorized & exclusive dealer of M&M Ltd in various districts of Assam:

MALLP enjoys the leverage of being an authorised dealer of M&M which is one of the market leaders in the UV and tractor segments in India. Being an authorized dealer of M&M, MALLP is benefited from M&M's policy for product expansion program that had seen the launch of several new vehicles in the last few years like Quanto, KUV 500, Bolero Mini (Bolero+), TUV 300, Jeeto, Marazzo, XUV700, etc. The organisation is getting a competitive advantage of being sole dealer in Tezpur, Assam. The firm also gets support from Mahindra & Mahindra Financial Services (M&MFS) as a partner for providing vehicle loans and accessing trade advance against those accounts.

Long operational track record with experienced partners:

MALLP has been engaged in auto dealership business since 1945. Over the years, the firm has been able to grow constantly by increasing the number of products in its portfolio and by increasing its selling outlets over Assam. The firm is presently managed by Mr. Pradip Kumar Tibrewal who is a graduate, having an experience of more than three decades in the auto dealership business. He looks after the overall day-to-day affairs of the entity. He is well supported by his son Mr. Adarsh Kumar Tibrewal, BBA, having around a decade experience in automobile dealership business and looks after the marketing activities.

Diversified Product Portfolio

The firm's operations involve trading in passenger vehicles (PV), passenger carriers, e-vehicle and commercial vehicles (CV) leading to diversified product portfolios and better sustainability of cash flows. Also, the entity, has dealership of Swaraj Tractors, JAWA Motorcycles along with M & M vehicles.

Liquidity: Adequate

The firm has adequate liquidity position with gross cash accruals of Rs. 5.67 crore which is sufficient to cover the repayment obligations of Rs.1.23 crore for FY24. Further the firm has cash and liquid investments of Rs. 0.39 crore as on March 31, 2023. The firm also has a current ratio of 1.23x as on March 31, 2023

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](#)

[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

MALLP was set up as a proprietorship entity under the name of Ashok Motors, in the year 1945 by Lt. Mr. Biswanath Tibrewal of Tezpur, Assam. The entity initially commenced with dealership of British Company's Passenger Vehicles (PV). Later in 1950, it switched to the dealership of Hindustan Motors (HM).

The firm offers utility vehicles (UV), Small commercial vehicles (SCV), E-vehicles and 3 wheelers of M&M through its 2 showrooms (self-owned) equipped with 3-S facilities (Sales, Service and Spare-parts) at Tezpur, Assam and with 6 other display cum selling outlets in 4 districts of Assam. The firm is also engaged in dealership of Swaraj Tractors (more than 8 outlets spread across 4 districts) and Jawa motorcycles (1 showroom).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)
Total operating income	189.55	275.97
PBILDT	4.38	7.43
PAT	2.76	5.05
Overall gearing (times)	2.27	1.67
Interest coverage (times)	4.18	4.22

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

Status of non-cooperation with previous CRA:

CRISIL Ratings has conducted the review on the basis of best available information and has classified MALLP as "Not cooperating" vide its press release dated July 27, 2023. The reason provided by CRISIL Ratings is non-furnishing of requisite information for monitoring of ratings and non-submission of NDS for the last three months.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Standby Line of Credit		-	-	-	0.60	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.50	CARE BB; Stable / CARE A4; 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 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-Cash Credit	LT	3.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (04-Aug-23)	1)CARE BB+; Stable (02-Dec-22)	1)CARE BB; Stable (24-Feb-22)
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (04-Aug-23)	1)CARE BB+; Stable (02-Dec-22)	1)CARE BB; Stable (24-Feb-22)
3	Fund-based - ST-Standby Line of Credit	ST	0.60	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (04-Aug-23)	1)CARE A4+ (02-Dec-22)	1)CARE A4+ (24-Feb-22)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (04-Aug-23)	1)CARE BB+; Stable / CARE A4+ (02-Dec-22)	1)CARE BB; Stable / CARE A4+ (24-Feb-22)

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

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-Electronic Dealer Financing Scheme	Simple
3	Fund-based - ST-Standby Line of Credit	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	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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About us:

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Disclaimer:

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