

## Crystal Autocars Private Limited

July 15, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	61.00 (Reduced from 62.70)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	15.00 (Enhanced from 2.30)	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Crystal Autocars Private Limited (CAPL) continue to remain constrained on account of modest though growing scale of operations with low profitability margins and below average financial risk profile marked by leveraged capital structure and weak coverage indicators. Further, the ratings are also constrained by cyclical nature of auto industry thereby impacting the operational performance of auto dealers also. However, the ratings derive strength from experienced promoters, its moderate operating cycle and strong brand value of MG motors.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations of Rs.400 crore and above coupled with improvement in profitability margin as marked by PBILDT margin above 2.25% on a sustained basis.
- Improvement in overall gearing below 1.50x on sustained basis

#### Negative factors

- Deterioration in Operating cycle above 60 days on sustained basis
- Decline in scale of operations of Rs.320 crores coupled with deterioration in PBILDT margin below 1.35 % on a sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that the company will continue to benefit from experience of the promoters in the industry.

### Detailed description of the key rating drivers:

#### Key weaknesses

#### Modest though growing scale of operations-

The total operating income (TOI) of the company remain modest though growing as evident from 4.05% growth in TOI in FY24 as against FY23. Increase in income from operations can be attributed to increase in number of cars sold. The modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved sales of Rs. 110 crores in Q1FY25(Refers to period April 01,2024 to June 30,2024) and is expected to clock revenue of around Rs. 450 crores in FY25 on the back of expected launch of new models by the OEM coupled with improved revenue from service units of the company.

#### Low Profitability margins

The profitability margins of the company remained low as marked by PBILDT margin of 1.87% in FY24 as against 1.03% in FY23 on account of less discounts offered in FY24. Further, PAT also improved by 27 bps. 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. Further, PBILDT margins are expected to remain at similar levels in FY25.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **Leveraged capital structure and weak coverage indicators-**

The capital structure of the company stood leveraged as marked by overall gearing ratio stood at 4.13x as on March 31, 2024 (prov.), as compared to 4.24x as on March 31, 2023 on account of on account of company's high reliance on external borrowings to fund working capital requirements. Further, owing to low profitability margins and high debt levels, the debt coverage indicators of the company stood weak marked by Interest coverage ratio and total debt to Gross cash accruals stood at 0.98x and 15.61x respectively in FY24 (prov.) as against 1.24x and 15.99x respectively in FY23. Company has other income of Rs. 6.28 crores in FY24 which pertains to claims of Rs. 5.18 crores, Interest on FDR of Rs. 0.72 crores and other miscellaneous incomes to support interest obligations.

### **Cyclical nature of 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 strengths**

#### **Experienced promoters**

Crystal Autocar Private Limited (CAPL) was incorporated in 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.

#### **Moderate operating cycle-**

The operating cycle stood at 56 days in FY24 as against 31 days in FY23. The company needs to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility leading to low inventory days. The average inventory holding days of the company stood at 34 days in FY24. The sales to customers are made on "Cash and Carry" basis however, around 30% of the vehicles are bought on vehicle financing basis through banks and NBFCs. The same results in a collection period of around 27 days. Further, the company procures passenger cars by making full advance payment to OEM. Besides this, the large working capital requirements are met through bank borrowings which remained fully utilized for the last 12 months ended May 2024.

#### **Strong brand value of MG Motor-**

MG Motor is owned by a Shanghai-based Chinese state-owned automotive SAIC Motor Corporation Limited (SMCL). MG Motor is one of the fast-growing automotive brands in India. SMLC is 100 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. MG motors have around 1.4% market share in India.

#### **Liquidity: Stretched**

The liquidity position of the company remained stretched characterized by elongation in operating cycle to 56 days in FY24 on account of higher inventory period leading to negative cash flow from operations. Moreover, working capital limits are ~100% utilized for the past 12 month's period ending June 2024. However, the company is expected to generate envisage GCA of Rs.5.70 crore for FY25 against repayment obligations of Rs. 2.82 crore.

#### **Assumptions/Covenants-** Not applicable

#### **Environment, social, and governance (ESG) risks** - Not applicable

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Short Term Instruments](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

## About the company and industry

### Industry classification

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

Crystal Autocars Private Limited (CAPL) was incorporated in 2018 and is an authorised 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 centres each at Noida, Ghaziabad, Patel Nagar and Patparganj. It currently sells all models of MG Motors through its outlets. Majority of the revenue is derived from vehicle sales. 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. The showroom has attached workshop facility for the post sales services of cars. The company is also engaged in trading of mobile phones to one of the client in Dubai. However, due to lower margins the company stopped that business from 2023 onwards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25(UA)
Total operating income	377.73	392.86	110.00
PBILDT	3.88	7.36	NA
PAT	2.63	3.80	NA
Overall gearing (times)	4.24	4.13	NA
Interest coverage (times)	1.24	0.98	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:** 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		-	-	-	1.00	CARE BB-; Stable
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	60.00	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	15.00	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 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-Electronic Dealer Financing Scheme	LT	60.00	CARE BB-; Stable	-	1)CARE BB-; Stable (03-Jul-23)	1)CARE BB-; Stable (11-Jul-22)	-
2	Fund-based - LT-Cash Credit	LT	1.00	CARE BB-; Stable	-	1)CARE BB-; Stable (03-Jul-23)	1)CARE BB-; Stable (11-Jul-22)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	15.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (03-Jul-23)	1)CARE BB-; Stable / CARE A4 (11-Jul-22)	-

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/Non-fund-based-LT/ST	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](mailto:care@careedge.in) for any clarifications.

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### About us:

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