KTL Private Limited

December 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8.00	CARE BB+; Stable	Downgraded from CARE BBB-; Stable
Long Term / Short Term Bank Facilities	1.00	CARE BB+; Stable / CARE A4+	Downgraded from CARE BBB-; Stable / CARE A3
Short Term Bank Facilities	125.00	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of KTL Private Limited (KTL) factors in stretched liquidity profile of the company on account of inventory push by the principal supplier during FY24 and in H1FY25.
The rating also remains constraints on account of moderate capital structure, inherent competition and cyclical nature of the auto industry along with limited bargaining power with principal automobile manufacturer.
However, the assigned ratings continue to derive strength from the experienced and resourceful promoters with long track record of operations, diversified revenue stream and moderate financial risk profile of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity position reflecting from sufficient buffer in working capital limits with average of maximum utilisation below 80%.
- Improvement in the solvency position due to lower dependence on working capital finance with an overall gearing ratio of below 1.5x.

Negative factors

- Significant decline in scale of operations or PBILDT margins falling below ~1.5%.
- Any significant deterioration in the solvency position with overall gearing ratio beyond 2.00x owing to increased working capital dependence.
- Any further increase in the inventory holding beyond 45 days leading to further stretch in the liquidity.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that the company will continue to benefit from its experienced promoters due to its long track record of operations to mitigate the inherent risk related to cyclical nature of auto industry.

Detailed description of key rating drivers:

Key weaknesses

Stretch in liquidity position of the company due to inventory push by the principal supplier

The liquidity profile of the company is stretched on account of inventory push by the principal supplier during FY24 and H1FY25. The average inventory holding period increased to 26 days during FY24 as compared to 14 days in FY23 the same resulted in higher reliance on working capital borrowings which is also reflected by instances of overdrawals in working capital limits which were regularised within 5 to 5 days.
The operating cycle of the company continues to stretch at 38 days during FY24 as compared to 27 days during FY23 particularly driven by increase in inventory holding. Going forward any further stretch in the liquidity position due to elongated inventory holding position will be key monitorable.

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

Moderate Capital Structure

The capital structure of the company remains moderate with slight moderation in the overall gearing ratio at 1.64x respectively as at March 31,2024, as compared to 1.44x as at March 31,2023. During FY24, the company has availed enhancement in inventory finance owing to increased inventory holding requirement by principal supplier and rising prices of vehicle, thus company working capital requirement has gone up thereby leading to higher utilisation of Rs.84.18 crores as at March 31,2024, as against Rs.62.46 crores as at March 31,2023. Further, owing to higher working capital requirement finance cost has also increased during FY24 to Rs.10.63 crores as against Rs.6.81 crores during FY23 leading to continuous deterioration in interest coverage ratio to 2.1 times during FY24 as compared to 2.91 times in FY23.

Inherent competition and cyclical nature of the auto industry

The Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like MSIL, Tata Motors, Hyundai, Honda, Toyota, etc. in the passenger vehicle segment. Original Equipment Manufacturers (OEMs) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Dealers' fate is also linked to the industry scenario and performance of OEMs. The company is dealer of MSIL primarily and derives its total operating income (TOI) largely from sale of MSIL's passenger cars. Hence, performance and prospects of the company is highly dependent on MSIL being its principal. The automotive sector is also dependent on economic growth, credit conditions and consumer confidence in the economy. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. Fuel prices also 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 decisions.

Limited bargaining power with principal automobile manufacturer

Being primarily into auto dealership business, KTL's business model is largely in the nature of trading wherein profitability margins are inherently thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of products is set at a particular level by the principal manufacturer thereby restricting any incremental income for KTL.

Key strengths

Experienced and resourceful promoters with long track record of operations

KTL Private Limited (KTL) was incorporated by Mr. Mahendra Kumar Agrawal who is also the current managing director of the company. He holds an experience of around three decades in automobile dealerships in the state of Uttar Pradesh. Other directors of the company include Ms. Swati Agrawal, Ms. Manju Agrawal, Mr. Prashant Mansinghka and Ms. Meghna Mansinghka. Further, the promoters are resourceful and has proven their ability to support business by infusing funds in the form of unsecured loans having outstanding of Rs 15.78 crores as at March 31,2024 as against Rs 13.43 crores as at March 31,2023.

Diversified revenue stream

KTLPL has a healthy mix of revenue from vehicle sales under Maruti's stores (Maruti Nexa & Maruti Arena & TVS) which was around 86.54% (PY: 84.77%), sale of spares and accessories comprises 8.69% (PY: 9.04%) and workshop income of 4.76% (PY: 4.78%) during FY24. By providing all services under one roof, the company has been able to attract many customers and has diversified its revenue stream along with maintaining moderate profitability margins on corporate level. Although, major source of profitability comprises of gross workshop income of Rs 35.81 crores having gross margin of around 45% during FY24.

Growing scale of operations with sustenance in the PBILDT margins

The Company's scale of operations has grown by 4.59% to Rs 764.36 crores during FY24 (Audited; refers to the period of April 01 to March 31) as compared to Rs.730.85 crores during FY23 (Audited; refers to the period of April 01 to March 31) however gross cash accruals has been slightly moderated to Rs 10.22 crores in FY24 as against Rs. 10.93 crores during FY23 owing to decline in the PAT generated by the company. Further, company has already booked revenue of Rs.439.52 crores during 7MFY25 as against revenue of Rs. 412.89 crores in 7MFY24. The profitability margins of the company continue to remain moderate during the FY24 as reflected by PBILDT margin of 2.92% (PY: 2.71%) respectively. Although, owing to growing scale of operations PBILDT margin remains in similar line as compared to FY23, however, due to increased working capital dependence finance charges has gone up during FY24 to Rs.10.63 crores (PY: Rs.6.81 crores), leading to moderation in PAT margin.

Liquidity: Stretched

Liquidity position of the company is stretched on account of high reliance on working capital limits with average maximum utilisation of around 88%. In FY25 and FY26, company is envisaging to generate GCA of around Rs ~12 crores & Rs ~14 crores respectively as against the scheduled repayment obligations of ~Rs.3.22 crores and Rs.3.13 crores for FY25 & FY26 respectively.

The current and quick ratio stood at a moderate level of 1.09x and 0.49x, as on March 31, 2024, as against 1.08x and 0.77x respectively as on March 31, 2023. The unencumbered cash and bank balance is Rs.5.99 crore during FY24.

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
Financial Ratios – Non financial Sector
Auto Dealer
Wholesale Trading
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Kanpur-based KTL Private Limited was incorporated in 1991 by Mr. Mahendra Kumar Agrawal with an objective to commence automobile dealership business. The company was awarded with dealership of Maruti Suzuki India Limited and TVS Scooters. KTLPL currently operates automobile retail showrooms and service centres/body repair workshops for new cars, used cars, and repairing service. The company sells a varied range of Maruti vehicles along with services, repairs and spare parts through its various showrooms.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	730.85	764.36	439.52
PBILDT	19.79	22.31	NA
PAT	7.57	6.53	NA
Overall gearing (times)	1.44	1.64	NA
Interest coverage (times)	2.91	2.10	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

- CRISIL has continued the ratings assigned to the bank facilities of KTL Private Limited as "Issuer Not Co-operating" vide its press release dated July 24, 2024 on account of its inability to carryout review in the absence of requisite information from the company.
- India Ratings has continued the ratings assigned to the bank facilities of KTL Private Limited as "Issuer Not Co-operating" vide its press release dated October 18, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

CareEdge RATINGS

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BB+; Stable
Fund-based - ST-Vendor financing		-	-	-	125.00	CARE A4+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for 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	8.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (30-Nov-23)	1)CARE BBB-; Stable (01-Dec-22)	1)CARE BBB-; Stable (11-Oct-21)
2	Fund-based - ST-Vendor financing	ST	125.00	CARE A4+	-	1)CARE A3 (30-Nov-23)	1)CARE A3 (01-Dec-22)	1)CARE A3 (11-Oct-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Stable / CARE A3 (30-Nov-23)	1)CARE BBB-; Stable / CARE A3 (01-Dec-22)	1)CARE BBB-; Stable / CARE A3 (11-Oct-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Vendor financing	Simple
3	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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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