

Riya Autolink

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	57.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Riya Autolink (RAL) remain constrained on account of leveraged capital structure and moderate debt coverage indicators. The ratings further remain constrained on the back of volume driven nature of business with intense competition in the auto dealership industry as well as limited bargaining power with principal automobile manufacturers. However, rating derives strength from growing scale of operations and profitability, vast experience of the promoters in the automobile dealership business and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations marked by Total operating income (TOI) above Rs.500 crore with total debt/PBILDT below 4 times on sustained basis
- Improvement in overall gearing below 2.5 times on sustained basis

Negative factors

- Significant decline in total operating income below Rs.250 crore
- Deterioration in capital structure marked by overall gearing above 5.00 times on sustained basis

Analytical approach: Standalone

Outlook: Stable

Care Ratings believe that entity will sustain its overall financial risk profile, benefitting from the experience of its promoters in the auto dealership industry.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators

Capital structure remained leveraged marked by overall gearing of 4.60 times as on March 31, 2024, and 4.63 times as on March 31, 2023, mainly on account of higher working capital utilization. RAL being an auto-dealer requires inventory funding limits. Debt coverage indicators remained moderate over the years marked by TDGCA at 16.88 years as on March 31, 2024, as against 15.75 years as on March 31, 2023, due to higher debt as on March 31, 2024. Interest coverage ratio remained at 1.54 times during FY24 as against 1.77 times during FY23.

Volume driven nature of business with intense competition in the auto dealership 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 (MSIL), Hyundai, Honda, Toyota, Bajaj etc. in the passenger and electric vehicle segment. Original Equipment Manufacturers (OEMs) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global players in the Indian market has further intensified the competition. Hence, OEMs offer various discount schemes to attract customers. Due to very high competition in the industry, dealers are also forced to pass on discounts and exchange schemes to attract customer as this is a volume driven business. Dealers fate is also linked to the industry scenario and performance of OEMs. RAL is a dealer of Tata Motors and derives its TOI from sale of tata motor's passenger and electric cars. Hence, performance and prospects of RAL is highly dependent on Tata Motors being its principal.

Limited bargaining power with principal automobile manufacturer

RAL'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. The margin on products is set at a particular level by the principal manufacturer thereby restricting the profitability.

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

Partnership nature of the constitution

Partnership nature restricts RAL's overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital at time of personal contingency and dissolution of the entity in case of death/insolvency of any of the partners. Moreover, partnership constitution has restricted access to external borrowings as credit worthiness of partners would be key factors affecting credit decision for lenders. Partners have infused Rs.3.78 crore during FY24 and Rs. 2.09 crore during FY23 for working capital requirement and extension of workshop.

Key strengths

Experience of promoters

Overall operations of the firm are currently managed by Mr. Urvish Shah and Mrs. Bindi Shah. Mr. Urvish Shah has an experience of more than 2 decades in the industry as he worked in various auto dealerships business since 2002. He was the Vice President of Landmark Group (Honda). He also worked for Hyundai dealership with Concept Motors before taking over the operations of RAL. Further, the partners are also the directors of BU4 Auto Private Limited which is engaged in manufacturing of 2-wheeler EVs under the brand names Dodo, Sign and Star.

Growing scale of operations and profitability margins

RAL's scale of operations marked by TOI improved with a CAGR of 14% over last 5 years and remained at Rs.366.14 crore during FY24 with an increase in demand for Tata's top models i.e. Harrier, Safari, Tigor, Punch, Nexon, etc. Further, in 8MFY25, RAL has reported TOI of ~Rs.232 crore. Profitability marked by PBILDT margin remained at 3.93% during FY24 as against 2.50% during FY23, while PAT margin remained at 0.64% during FY24 and FY23 mainly on account of high interest and depreciation cost and high material cost respectively. Operating profits improved in FY24 with higher sales of newly launched cars with offers low discount.

Liquidity: Adequate

RAL's liquidity position remained adequate marked by average utilization of its fund based working capital borrowings at ~80%. Gross cash accruals remained adequate at Rs.5.45 crore during FY24 as against repayment obligations of Rs.4.29 crore arising during FY25. Unencumbered cash and bank balance stood at Rs.2.47 crore as on March 31, 2024 (2023: Rs.7.12 crore). Cash flow of the firm remained negative at Rs.14.19 crore in FY24 as against negative Rs.12.87 crore during FY23 mainly due to building up of inventories with addition of new show rooms. Liquidity ratios remained moderate marked by current ratio and quick ratio at 0.99 times and 0.15 times as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Auto Dealer](#)

About the company and industry

Industry classification

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

Ahmedabad (Gujarat) based Riya Autolink (RAL), a partnership firm is an authorized dealer of Tata Motors Limited (CARE AA+; Stable/ CARE A1+ as on July 05, 2024). Overall operations are currently managed by Mr. Urvish Shah and Mrs. Bindi Shah. The partners took over the business in 2019. Firm operates total 5 rented showrooms in Gujarat out of which 4 are in Ahmedabad (2 workshops alongside) and 1 in Viramgam (1 workshop alongside).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (Prov.)
Total operating income	366.50	366.14	232.62
PBILDT	9.18	14.39	NA
PAT	2.33	2.30	NA
Overall gearing (times)	4.63	4.60	NA
Interest coverage (times)	1.77	1.54	NA

A: Audited, Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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

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/ ST-Working Capital Limits		-	-	-	57.00	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/ ST-Working Capital Limits	LT/ST	57.00	CARE BB+; Stable / CARE A4+				

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/ ST-Working Capital Limits	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.

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