

A.S. Motors Private Limited

February 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	21.56	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	43.44 (Enhanced from 15.00)	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of A.S. Motors Private Limited (ASMPL) continue to remain constrained on account of its leveraged capital structure with modest debt coverage indicators, low profitability, geographical concentration of operations, and dependency of the company on the fortunes of the principals with whom it has low bargaining power. Ratings also continue to remain constrained on account of company's presence in the competitive and cyclical auto dealership industry.

The ratings, however, continue to derive strength from the established track record and extensive experience of promoters in the automobile dealership industry, growing scale of operations, and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume-based growth in scale of operations above Rs.300 crore with sustained operating margin
- Improvement in PBILDT interest coverage ratio above 1.75x along with improvement in overall gearing

Negative factors

- Deterioration in the capital structure as marked by overall gearing ratio of above 4.00x
- Decline in scale of operations below Rs.175 crore along with any major moderation in operating margin further impacting the debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the company will continue to benefit from experience of the promoters in the auto dealership business. Sufficient cash balances against term debt repayment obligations shall support its adequate liquidity profile.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure with modest debt coverage indicators

Capital structure of the company stood leveraged as marked by overall gearing at 3.05x as at FY24 end (FY refers to the period April 1 to March 31) (2.71x at FY23 end) with more than 80% of total debt comprising of working capital debt. ASMPL is required to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage, resulting in high working capital intensity in company's operations. This coupled with the low profitability inherent in the auto dealership industry, leads to modest debt coverage indicators for the company as marked by TD/GCA of 14.51 years during FY24 (11.70 years during FY23) and PBILDT Interest Coverage ratio of 1.12x (1.25x during FY23).

Geographical concentration of operations

The operations of ASMPL are majorly concentrated in Madhya Pradesh, with two showrooms each for Hyundai Motor India Limited (HMIL) and Honda Motorcycles and Scooters India Private Limited (HMSI) in Gwalior and one showroom each for HMIL and HMSI in Bhind. However, company has a long-standing association with both the principals of nearly a decade.

Limited bargaining power with the principals

ASMPL's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, auto dealers have low bargaining power over their principals. The margin on products is set at a particular level by the principal manufacturer, thereby restricting the company to earn incremental income. Further, the fortunes of auto dealers rest on the performance of the principals and the acceptability of their products in the market. Hence, performance and prospects of ASMPL is highly dependent on the fortunes of HMIL and HMSI.

Inherently competitive and cyclical nature of the auto industry

The Indian automobile industry is highly competitive in nature owing to a large number of players operating in the market. With low set-up cost and no major entry barriers, emergence of new dealers is very imminent, further aggravating the competition faced from existing dealers of other OEMs. To offset the same, dealers must come up with extra discounts, which creates margin

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

pressure and negatively impacts the earning capacity of the company. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Key strengths

Experienced promoters and established track record of operations

ASMPL is promoted by Mr. Sanjay Garg and Ms. Anjali Garg who have experience of more than two decades in the automobile dealership business. Since 2013, Mr. Vinayak Garg (son of Mr. Sanjay Garg) is also actively involved in business. Mr. Sanjay Garg and Mr. Vinayak Garg look after the day-to-day operations and finance whereas Ms. Anjali Garg looks after the administration of the company. The group is also engaged in the hospitality industry and runs a hotel under the brand name of 'The Vinayak' in Gwalior, Madhya Pradesh.

Growing scale of operations albeit low profitability

ASMPL's total operating income (TOI) grew at CAGR of 43.73% for the period between FY22 to FY24 driven by growth in sales volume and stood at Rs.256.28 crore for FY24. During 8MFY25, ASMPL registered TOI of Rs.122.69 crore with FY25 TOI expected to be around Rs.275 crore backed by satisfactory volume growth. Sale of four wheelers by the company is generally skewed towards the second half of the year owing to increased demand during the Gwalior Mela, where buyers are incentivised through discounts on statutory charges related to vehicle purchases.

Profitability of the company stood low as marked by PBILDT margin in the range of 3.50-4% in the past three years ended FY24, in line with the nature of auto dealership industry.

Liquidity: Adequate

Liquidity of ASMPL stood adequate as marked by adequacy of gross cash accruals vis-à-vis debt repayments obligations and liquidity cushion in the form of free cash and bank balance of Rs.11.95 crore as on November 30, 2024.

Given the high working capital requirements inherent in the auto dealership industry, the operating cycle of ASMPL remained moderate at 37 days during FY24 (30 days during FY23). Further, the average utilisation of FB limits averaged at above 90% during the past twelve months ended November 2024 and the company registered negative CFO during FY24.

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

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

Gwalior-based A.S. Motor Private Limited (ASMPL) was incorporated in 1988 by Mr. Sanjay Garg. Till June 2014, ASMPL operated a dealership of Tata Motors Limited's (TML) passenger cars. From July 2014, ASMPL discontinued the same and took dealership of Hyundai Motor India Limited (HMIL) for passenger cars and Honda Motorcycles and Scooters India Private Limited (HMSI) for two wheelers. Currently, ASMPL has three showrooms each for HMIL and HMSI located in Madhya Pradesh and provides after sales services and spare parts at its outlets for both principals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	November 30, 2024 (UA)
Total operating income	201.05	256.28	122.69
PBILDT	7.55	9.10	4.57
PAT	2.29	2.08	0.92
Overall gearing (times)	2.71	3.05	3.45
Interest coverage (times)	1.25	1.12	1.25

A: Audited UA: Unaudited; 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-Term Loan		-	-	October 2026	4.25	CARE BB; Stable
Fund-based - LT-Working capital Term Loan		-	-	June 2036	17.31	CARE BB; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	13.15	CARE BB; Stable / CARE A4
Fund-based - LT/ ST-Working Capital Limits		-	-	-	30.29	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	-	-	-	-	-	1)Withdrawn (16-Dec-21)
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (16-Dec-21)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (16-Dec-21)
4	Fund-based - LT/ST-Bank Overdraft	LT/ST	-	-	-	-	-	1)Withdrawn (16-Dec-21)
5	Fund-based - LT/ST-Working Capital Limits	LT/ST	13.15	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Feb-25)	-	-	-
6	Fund-based - LT/ST-Working Capital Limits	LT/ST	30.29	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Feb-25)	-	-	-
7	Fund-based - LT-Term Loan	LT	4.25	CARE BB; Stable				
8	Fund-based - LT-Working capital Term Loan	LT	17.31	CARE BB; Stable				

LT: Long 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-Term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender detailsTo 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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