Pramukh Automotive Private Limited

February 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.10	CARE B; Stable	Upgraded from CARE D; Stable outlook assigned
Short Term Bank Facilities	67.90	CARE A4	Upgraded from CARE D

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the rating assigned to the bank facilities of Pramukh Automotive Private Limited (PAPL) considers satisfactory track record of debt servicing for over 90 days.

Ratings, continue to remain constrained on account of thin profitability due to trading nature of business, leverage capital structure, moderate debt coverage indicators and stretched liquidity. Ratings further remained constrained due to presence in the inherently cyclical auto-mobile industry, competitive industry landscape and linkages of its growth prospect to the fortunes of its original equipment manufacturer (OEM) i.e. Tata Motors Ltd (TML).

Ratings, however, continue to derive strength from the experienced promoters in the automobile dealership business, long track record of association with TML and growing scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume backed growth in the scale of operation with geographical diversification.
- Profit before interest, lease, depreciation and tax (PBILDT) margin above 4% on sustained basis.
- Improvement in capital structure marked by overall gearing below 1.5x on sustained basis.

Negative factors

- Decline in scale of operations with total operating income (TOI) below ₹ 200 crore coupled with dip in PBILDT margin below 1.50%.
- Deterioration in capital structure beyond 6x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the PAPL will continue benefit from experience of the promoters in the auto dealership business along with its long-term association with TML.

Detailed description of key rating drivers:

Key weaknesses

Growing scale of operations albeit thin profitability

Scale of operations marked by TOI have increased substantially with compounded annual growth rate (CAGR) of ~71% during past 3 years ended FY24 supported by healthy sales volume growth of around 58% coupled with increase in the sales realization. Sales volume grew substantially during last three years ended FY24 on account of launch of new car models by TML coupled with addition of showrooms by PAPL.

On a y-o-y basis, TOI grew by around 11% to ₹438.59 crore during FY24 driven by sales volume growth of ~6%. PAPL earns around 85-90% of its TOI from car sales and balance from sale of spares and service among others.

Profitability marked by PBILDT margin remained thin owing to trading nature of operations. PBILDT margin remained in the range of 2-4% over the period FY19-FY24. With thin PBILDT margin and moderate depreciation and interest cost, profit after tax (PAT) margin also remained thin at 0.48% during FY24 as against 1.23% during FY23. Gross cash accruals (GCA) also remained low at ₹ 3.52 crore during FY24 (FY23: ₹ 5.99 crore).

For 7MFY25 (UA), PAPL reported TOI of ₹ 249.23 crore with PBILDT of 2.08%.

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

Leverage capital structure and moderate debt coverage indicators

The capital structure of PAPL remained leverage marked by overall gearing of 6.18 times as on March 31, 2024, as against 4.12 times as on March 31, 2023. The deterioration as on March 31, 2024, on a y-o-y basis was due to higher utilization of its working capital limits to support the growing scale and higher inventory holding. However, working capital borrowing of the company declined during 7MFY25 owing to the liquidation of the liquidity, thus leading to improvement in the overall gearing to 3.53x as on October 31, 2024.

Consequently, debt coverage indicators remained moderate marked by total debt to GCA (TDGCA) of 18.56x as on March 31, 2024, as against 5.82x as on March 31, 2023. PBILDT interest coverage ratio remained moderate at 1.81x during FY24 as against 3.58x during FY23.

Dependence on fortunes of TML and limited geographical presence

The company's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, in this business a dealer has less bargaining power over principal manufacturer (TML). The margin on products is set at a particular level by the principal manufacturer thereby restricting the company to earn incremental income. Also, company's scale of operations remained modest over the years, due to its limited geographical presence as it has dealership of TML for passenger vehicles in few districts of Gujarat. Inherent competition and cyclical nature of the auto industry. The company is exposed to competition from the dealers of other OEMs operating in the same region. To capture the market share, the auto dealers' offer better buying terms like allowing discounts on purchases. Such discounts create margin pressure and may negatively impact the earning capacity of the dealers. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Key Strengths

Satisfactory track record of debt servicing

There was more than 30 days of delay in the servicing of the inventory funding facility from one of the lenders on account of lower than envisaged vehicle sales which adversely impacted the liquidity. The account was regularised August 22, 2024, and post the said date, there are no delays/ default in debt servicing, as confirmed by lender. Also, PAPL has shared working capital facilities statements from September 01, 2024, to January 31, 2025, where in debt servicing is timely.

Long track record of association with TML

Since its incorporation, PAPL has been associated with TML, one of the largest automobile manufacturer and leading player in the passenger vehicle (PV) segment. PAPL is an authorized dealer of TML's passenger vehicles and has total 6 showrooms i.e. 2 in Surat, 1 in Vapi, 2 in Valsad and 1 in Silvassa along with 2 service centres i.e. one each in Surat and Valsad and 1 showroom cum service centre in Navsari. This apart, the company also operates 6 electric vehicle charging stations. The dealership agreements with TML spans two years and is renewed post completion through mutual consent.

Long experience of the promoters in the auto-dealership business

PAPL is incorporated by Mr. Ravirajsinh Solanki, who has more than a decade of experience and by Mrs. Jalpa Solanki, who has more than 25 years of industry experience. Mr. Ravirajsinh Solanki, promoter of PAPL is also partner in Presidency Skoda, an authorized dealer of Skoda cars. Presidency Skoda has total 3 showrooms spread across Surat, Vapi and Navsari.

Liquidity: Stretched

The liquidity position of PAPL remained stretched as marked by expected moderate GCA of Rs.3-4 crore against debt repayment obligation of ~Rs.3.60 crore in FY25. Average fund- based working capital utilisation remained moderate at ~77% for past 8 months ended January 31, 2025. The company had cash and bank balance of ₹ 1.49 crore as on March 31, 2024. Cash flow from operations was negative at ₹ 17.10 crore (FY23: negative at 12.89) due to increasing inventory. Company has moderate inventory period of 31 days and debtor days of 03 days during FY24. Operating cycle remained at 35 days during FY24 (FY23: 20 days). Current ratio remained at 1.07x as on March 31, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
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

Incorporated in February 2014 by Mr. Ravirajsinh Solanki and Mrs. Jalpa Solanki, PAPL, is an authorized dealer for PV of TML. PAPL has total 6 showrooms i.e. 2 in Surat, 1 in Vapi, 2 in Valsad and 1 in Silvassa along with 2 service centres i.e. one each in Surat and Valsad and 1 showroom cum service centre in Navsari. It also operates 6 EV charging stations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	395.91	438.59	249.23
PBILDT	10.59	9.08	5.19
PAT	4.87	2.10	NA
Overall gearing (times)	4.12	6.18	3.53
Interest coverage (times)	3.58	1.81	1.51

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

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-Cash Credit	-	-	-	-	2.10	CARE B; Stable
Fund-based - ST-Vendor financing	-	-	-	-	64.25	CARE A4
Fund-based- Short Term	-	-	-	-	3.65	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	2.10	CARE B; Stable	1)CARE D (28-Aug-24) 2)CARE BB; Stable (24-Jul-24)	-	-	-
2	Fund-based - ST-Vendor financing	ST	64.25	CARE A4	1)CARE D (28-Aug-24) 2)CARE A4 (24-Jul-24)	-	-	-
3	Fund-based-Short Term	ST	3.65	CARE A4	1)CARE D (28-Aug-24) 2)CARE A4 (24-Jul-24)	-	-	-

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	Fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated: Not applicable

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:

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