

CM Auto Sales Private Limited

February 26, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	56.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	4.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) has been seeking information from C M Autosales Private Limited (CMASPL) to monitor the rating(s) vide e-mail communications dated February 23, 2025; January 22, 2025; December 10, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on C M Autosales Private Limited bank facilities will now be denoted as CARE BB-; Stable/ CARE A4; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s)

The ratings have been revised on account of the non-availability of requisite information due to non-cooperation by C M Autosales Private Limited with CARE Ratings Ltd.'s efforts to undertake a review of the ratings outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The ratings assigned to the bank facilities of CMASPL remain constrained on account of modest scale of operations, low profitability margins, improving albeit leveraged capital structure and weak debt coverage indicators coupled with elongated operating cycle. The ratings, further remain constrained on account of pricing constraints and margin pressure arising out of competition from various auto dealers in the market, cyclical nature of the auto industry. However, the rating derives comfort from experienced promoters and management in the automobile dealership business and benefit from long standing relationship with Maruti Suzuki India Limited (MSIL).

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from its continued association with Maruti Suzuki India Limited (MSIL) as well as the experience of its promoters.

Detailed description of key rating drivers: At the time of last rating on February 21, 2024, the following were the ratings weaknesses and strengths (updated for Audited financials of FY24).

Key weaknesses

Modest and fluctuating scale of operations: The scale of operations of the company stood modest as marked by total operating income and gross cash accruals of Rs. 288.48 crore and Rs. 2.80 crore, respectively, during FY24, registering a growth from FY23. The growth was supported by healthy demand in the market for passenger cars and the launch of new models by MSIL. The modest scale limits the company's financial flexibility in times of stress.

Low profitability margins: The company's profitability margins remained low as marked by PBILDT and PAT margin of 4.05% and 0.42% as on March 31, 2024, as against 4.60% and 0.29% as on March 31, 2023. The company had to offer higher discounts on some models of MSIL cars to achieve higher scale and presence of other dealers of MSIL and other OEMs in close vicinity.

Improving albeit leveraged capital structure: The capital structure of the company improved albeit remaining leveraged as marked by an overall gearing ratio of 2.70x as on March 31, 2024, improving from 2.40x as on March 31, 2023. The capital structure is expected to remain leveraged over the medium term due to high reliance on external borrowings. The debt coverage

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

indicators remained weak in FY24 as marked by an interest coverage ratio of 1.39x and total debt to GCA ratio of 31.70x. The improvement in debt coverage indicators is mainly due to reduced utilization of working capital borrowings and repayments of some part of unsecured loans.

Elongated albeit improving operating cycle: The operating cycle stood at 93 days as on March 31, 2024, as against 115 days as on March 31, 2023. The company needs to stock different models of vehicles and spares in the showrooms to ensure adequate availability and visibility, leading to high inventory days. The average inventory holding days of the company stood at 56 days in FY24. The company provides a credit period to its customers of around 2 months, resulting in a collection period of around 41 days. The company procures passenger cars from OEM on advance and consumables from local players on a credit period of around 4 days. The large working capital requirements are met through bank borrowings, which remained around 95% utilized for the last 12 months ended January 31, 2024.

Pricing constraints and margin pressure arising out of high level of competition: The Indian automobile industry is highly competitive with many players like MSIL, Tata Motors, Hyundai, Honda, and Toyota in the passenger vehicle segment. CMASPL's operations are geographically restricted to Punjab. OEMs are encouraging more dealerships to improve penetration and sales, increasing competition among dealers. Entry of global OEMs in the Indian market has further intensified competition. Dealers are forced to pass on discounts and exchange schemes to attract customers and capture market share. CMASPL's prospects are governed directly by the performance of MSIL. Any downturn in its performance or change in the nature of the agreement with dealers will directly affect CMASPL's financial and operating performance.

Cyclical nature of the 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 rates 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 would lead to reduced disposable income of consumers, influencing the purchase decision. Government policies also have a direct bearing on the sale of passenger vehicles.

Key strengths

Experienced management coupled with long track record of operations: CM Auto Sales Private Limited (CMASPL) is currently managed by its directors Mr. Rajesh Mahajan and Mr. Mahesh Mahajan, who have extensive experience in the business. Their long track record has aided the company in establishing relationships with OEMs.

Benefit from long-standing relationship with MSIL: CMASPL has been engaged in automobile dealership for over a decade and a half and has an established association with MSIL. The company has a strong presence in Punjab with 7 showrooms and sells all models and variants introduced by MSIL through ARENA and NEXA channels, along with one showroom for True Value and commercial vehicles.

Liquidity: Stretched

The liquidity position of the company remained stretched, marked by ~95% utilization of working capital limits over the past 12 months ending January 31, 2024. The company generated gross cash accruals of Rs. 2.80 crore during FY24 against repayment obligations of Rs. 1.20 crore for FY24. The company had a moderate cash and bank balance of Rs. 5.42 crore as on March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Auto Dealerships](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Passenger Cars & Utility Vehicles

Established in 2006, CMASPL is a part of CM Group. The group came into existence in 1960 having diverse businesses in the domain of Automobile, Manufacturing, Distributorship, IT, Insurance & Financial services. These businesses are in name of different companies.

CM Auto Sales Private Limited is an authorized dealer for the sale of passenger vehicles and commercial vehicle of Maruti Suzuki India Ltd. (MSIL). The company has 7 showrooms of Maruti (Arena) and Maruti (Nexa) along with 3S facility with each showroom. The company is owned and operated by its directors Mr. Rajesh Mahajan and Mr. Mahesh Mahajan. Both the directors are cousin brothers and are graduate in commerce stream. Mr. Rajesh Mahajan and Mr. Mahesh Mahajan hold an experience of around three decades and two and a half decades, respectively in the similar kind of business.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	210.39	239.32	288.48
PBILDT	10.40	11.00	11.68
PAT	0.28	0.69	1.20
Overall gearing (times)	2.66	2.40	2.70
Interest coverage (times)	1.17	1.17	1.39

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has placed the rating assigned to the bank facilities of CMASPL into Issuer Not Cooperating category vide their press release dated June 03, 2024, on account of Non submission of the requisite information needed to conduct the rating exercise.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	40.40	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	-	16.10	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	4.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	4.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (22-Feb-24)	1)CARE BB; Stable / CARE A4 (20-Feb-23)	-
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	16.10	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Feb-24)	1)CARE BB; Stable (20-Feb-23)	-
3	Fund-based - LT-Cash Credit	LT	40.40	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Feb-24)	1)CARE BB; Stable (20-Feb-23)	-

*Issuer did not cooperate; based on best available information.

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-Cash Credit	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	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:

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