

Commercial Motor Sales Private Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	58.02	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	4.48	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE B+; 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 Commercial Motor Sales Private Limited to monitor the rating(s) vide e-mail communications dated March 04,2025, March 07,2025, and March 18, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. 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 rating on Commercial Motor Sales Private Limited (CMSPL) bank facilities will now be denoted as CARE B; 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 CMSPL 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. Further, the ratings assigned to the bank facilities of CMSPL is primarily constrained on account of modest though growing scale of operations, low profitability margins, leveraged capital structure are weak debt coverage indicators. Further, the ratings are also constrained by pricing constraints and margin pressure arising out of competition from various auto dealers in the market, and cyclical nature of the auto industry. The ratings, however, continue to draw comfort from experienced promoters and comfortable operating cycle.

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook reflects that the company will continue to benefit from the long-standing experience of the promoters in the auto dealership industry.

Detailed description of key rating drivers: At the time of last rating on April 19, 2024, the following were the ratings weaknesses and strengths. [Updated for audited financials for FY24 (refers to the period April 01st to March 31st) received from Ministry of Corporate Affairs (MCA).

Key weaknesses

Modest though growing scale of operations

CMSPL's scale of operations continue to remain modest albeit growing as evident from total operating income (TOI) and gross cash accruals (GCA) of Rs. 173.40 crore and Rs. 3.37 crore, respectively, during FY24 (FY refers to the period April 1 to March 31) as against Rs. 154.98 crore and Rs. 1.96 crore respectively, during FY23. Nevertheless, the scale remains modest, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the CMSPL's scale of operations has been on a growing trend reflecting a compounded annual growth rate (CAGR) of about 11.25% during FY22-24. The increase in TOI is attributable to higher number of vehicles sold owing to healthy demand.

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

Low profitability margins

The profitability margins of the company as marked by PBILDT and PAT margins stood low for the last three years (FY21-FY24) owing to limited negotiating power with manufacturers and has no control over the selling price as the same is fixed by the manufacturers. The company reported profitability margin as marked by PBILDT and PAT margin to 4.10% and 1.12% respectively, during FY24 as against 5.16% and 0.41% respectively, during FY23. The margins are expected to improve over near to medium term as envisaged as the company focus on increasing the share of service revenue coupled with lower discount offered to the customers in FY25.

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2023, the debt profile of the company comprises of term loan of Rs. 55.91 crore, working capital limit of Rs. 24.49 crore. The capital structure of the company stood leveraged for the past three years (FY22-FY24) on account of higher reliance on external borrowings to fund the incremental working capital requirements of business to support the incremental growth. The overall gearing ratio stood at 4.30x as on March 31, 2024. Further, on account of high debt levels leading to high interest cost and low profitability margins leading to low gross cash accruals (GCA), the debt coverage indicators of the company stood weak as marked by interest coverage ratio and total debt to GCA and stood at 1.13x and 23.83x respectively, in FY24 as against 5.46x and 33.32x respectively, in FY23.

Pricing constraints and margin pressure arising out of the competition from various auto dealers in the market

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), Mahindra & Mahindra Limited (MML), Tata Motors, Hyundai, Honda, etc. in the passenger vehicle segment. CMSPL's operations are geographically restricted to Uttar Pradesh and Uttarakhand. The original Equipment Manufacturers (OEMs) are also encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. The entry of the global OEMs in the Indian market has further intensified the competition. Hence, OEMs have to 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 customers and capture market share. Further, the dealers' fate is also linked to the industry scenario and performance of OEMs. CMSPL's prospects are governed directly by the performance of Toyota Kirloskar Motor Private Limited (TKMPL). Any downturn in its performance or change in nature of agreement with the OEM will directly impact the financial and operating performance of CMSPL.

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 rate increases the costs associated with the purchase leading to purchase deferral. Further, the fuel prices 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 decision. The policies implemented by the government also have a direct bearing on the sale of passenger vehicles.

Key strengths**Experienced promoters**

Arun Gupta and his son Shivam Gupta are the directors of CMSPL's, and they collectively look after the overall operations of the company. Both of them are postgraduates by qualification. Arun Gupta has around four decades of experience in auto dealership industry while Shivam Gupta is also having an experience of around a decade in the auto dealership industry. The directors have an adequate acumen about various aspects of business which is likely to benefit CMSPL in the long run.

Comfortable operating cycle

The operating cycle stood comfortable at 28 days in FY24 as against 17 days in FY23. The moderation in operating cycle is on account of increase in inventory period. The company needs to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility leading to low inventory days. The average inventory holding days of the company stood at 30 days in FY24. The sales to customers are made on "Cash and Carry" basis however, around 30% of the vehicles are bought on vehicle financing basis through banks and NBFCs. The same results in a collection period of around 13 days. Further, the company procures passenger cars by making full advance payment to OEM. However, for consumables the company receive a credit period of around 15 days from its suppliers. Besides this, the large working capital requirements are met through bank borrowings which remained around 70% utilized for the last 12 months ended February 2024.

Liquidity: Stretched

The liquidity of the company is stretched as characterized by tightly matched accruals vis-a vis repayment. The company has generated gross cash accruals of Rs 1.96 Cr in FY23 and is expected to envisage gross cash accruals of Rs 2.75 crore in FY24

against repayment obligations amounting to Rs. 3.41 crores in same year. The company has infused funds in form of equity share capital to the tune of 6.72 crore in FY24 to support the liquidity. However, the average working capital utilization is over 70% in past twelve months ended Feb 2024. The company also have free cash and bank balance of Rs. 5.53 crores in FY24.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

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

[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

Bareilly, Uttar Pradesh CMSPL was incorporated in 2001. The company is managed by Mr. Arun Gupta and Mr. Shivam Gupta who are the managing director of the company. The company is an authorized dealer in Toyota Passenger Vehicles of Toyota Kirloskar Motor Private Limited catering in the states of Uttar Pradesh and Uttarakhand. The company is engaged in the sale of passenger vehicles (PV), servicing of vehicles and sale of spare parts. The revenue share sales of Toyota Vehicles is approximately of 77.45%, 14.72% is from sale of parts, accessories, oil and lubricant and remaining 7.83% is from servicing of vehicles. Further, as on date the company operates 3S facility (Sales, Spares and Services) and has 4 showrooms located in Bareilly, Moradabad, Rudrapur and Haldwani and 3 workshops in Bareilly, Moradabad and Rudrapur. Showroom and workshop located in Rudrapur is rented and remaining are owned.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	154.98	173.40	-
PBILDT	8.00	7.11	-
PAT	0.63	1.95	-
Overall gearing (times)	5.46	4.30	-
Interest coverage (times)	1.36	1.13	-

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	10.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	21.65	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	2036	26.37	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	4.48	CARE B; 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	Fund-based - LT-Electronic Dealer Financing Scheme	LT	21.65	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (19-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	26.37	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (19-Apr-24)	-	-	-
3	Fund-based - LT-Bank Overdraft	LT	10.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (19-Apr-24)	-	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	4.48	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE B+; Stable / CARE A4 (19-Apr-24)	-	-	-

*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-Bank Overdraft	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based/Non-fund-based-LT/ST	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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