

KBSC Auto Private Limited

March 10, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long-term / Short-term bank facilities	0.50	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
Short-term bank facilities	50.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from KBSC Auto Private Limited (KAPL) to monitor the ratings vide e-mail communications dated January 03, 2025, February 19, 2025, 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 Ltd. 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. Further, KAPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on KAPL's 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 moderation in scale of operations and profitability in FY24 (refers to the period April 1 to March 31) along with lack of clarity on future growth strategy and inability to monitor the performance of the company, which is critical for assessing the credit risk profile of the company. The ratings continue to remain constrained by its leveraged capital structure with moderate debt protection metrics, stretched working capital cycle, short track record of the KIA dealership with limited geographical presence and inherent competition and cyclical nature of the automobile industry.

The ratings, however, draws comfort from promoters having experience in auto dealership business.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on March 07, 2024, the following were the rating strengths and weaknesses (updated for the information available from the company).

Key weaknesses

Moderate scale of operations and profitability in FY24

The total operating income of the company witnessed moderation from Rs.256 crore in FY23 to Rs.175 crore in FY24. With decline in revenue, PBILDT margin also witnessed decline from 3.78% in FY23 to 2.34% in FY24. The company incurred net loss of Rs.0.85 crore against PAT of Rs.3.63 crore in FY23.

Leveraged capital structure with moderate debt protection metrics

The capital structure continues to remain leveraged with overall gearing of 2.40x as on March 31, 2024 as against 2.48x as on March 31, 2023. Debt coverage indicators also witnessed significant moderation marked by TDGCA moderating from 6.95x as on March 31, 2023 to 19.71x as on March 31, 2024 on account of significant decline in GCA.

Limited geographical presence resulting in modest scale of operations

The company's scale of operations remained modest over the years, due to its limited geographical presence. The company has the dealership of KIA Motors personal vehicles only in Assam leading to geographical concentration risk. Also, the dealership with KIA has only four years of operational track record. As a result, the company does not get benefit from economies of scale and during financial stress it may impact the financial flexibility of the company.

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

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

Inherent competition and cyclical nature of the auto industry

The company is exposed to competition from the products of other OEM's and dealers operating in the same region. To capture the market share, the company resorts to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's association with its customers, its established network helps it to sustain the competition to an extent and maintain its market position in the region. 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.

Stretched working capital cycle

The company's working capital cycle increased from 42 days in FY23 to 69 days in FY24 due to increase in average inventory days from 39 days in FY23 to 68 days in FY24. Average collection period stood at 13 days in FY24 (11 days in FY23). Average creditors period stood at 11 days in FY24 (7 days in FY23).

Key strengths

Promoters having experience in the auto dealership business

Birendra Choudhary has an experience of around two decades in running Hyundai Motors India dealership in Assam, although, the dealership of KIA India Private Limited (KIPL) is only four years old. The company is an authorized dealer of KIPL for sale of vehicles in Guwahati, Nagaon and Tezpur. The company owns three showrooms, three workshops and one certified pre-owned (CPO) outlet.

Applicable criteria

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

[Definition of Default](#)

[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

KBSC was incorporated in 2019 and promoted by Birendra Choudhary. The company is an authorized dealer of KIA Motors Limited for sale of vehicles in Guwahati, Nagaon and Tezpur. The company owns 3 showrooms, 3 workshops and 1 CPO outlet. Birendra Choudhary has four years of experience as a dealer of KIA in Guwahati, Assam. He also has an experience of around two decades for successfully running Hyundai Motors India dealership in Jorhat, Tezpur, Bokakhat.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	255.53	174.98
PBILDT	9.65	4.09
PAT	3.63	-0.85
Overall gearing (times)	2.48	2.40
Interest coverage (times)	3.33	1.32

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-Cash Credit		-	-	-	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Others		-	-	-	50.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.50	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	0.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (07-Mar-24)	1)CARE BB; Stable / CARE A4 (14-Mar-23)	-
2	Fund-based - LT-Cash Credit	LT	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (07-Mar-24)	1)CARE BB; Stable (14-Mar-23)	-
3	Fund-based - ST-Others	ST	50.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (07-Mar-24)	1)CARE A4 (14-Mar-23)	-

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

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-Others	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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Kamal Mahipal Assistant Director CARE Ratings Limited Phone: +91-33-4018 1628 E-mail: kamal.mahipal@careedge.in
	Rajat Tiwari Analyst CARE Ratings Limited E-mail: rajat.tiwari@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**