

Geetha Auto Commercials

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	11.00	CARE A4; ISSUER NOT COOPERATING*	Rating 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. has been seeking information from Geetha Auto Commercials (GAC) to monitor the rating(s) vide e-mail communications dated October 03, 2024, to March 18, 2025, 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. The rating on Geetha Auto Commercials 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 last rating assigned to Geetha Auto Commercials were constrained by its small scale of operations, thin profitability margins associated with dealership business, constitution of entity being a partnership firm, leveraged capital structure and moderate debt coverage indicators, pricing constraints and margin pressure arising due to intense competition and dependency on fortunes of principal [i.e., Tata Motors Limited (TML)] with low bargaining power. However, the aforesaid constraints were partially offset by experienced promoters and management, low counterparty credit risk and long-standing association with TML.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the firm will continue to benefit from the extensive experience of the promoters in the industry.

Detailed description of key rating drivers:

At the time of last rating on March 26, 2024, the following were the rating strengths and weaknesses

Key weaknesses

Small scale of operations and thin profitability margins: The total operating income has increased from Rs.17.88 crore in FY22 to Rs.55.50 crore in FY23 due to an increase in demand resulting in higher sales of commercial vehicles. However, the scale of the company was the highest during FY19 at Rs.98.20 crore. Post which the sales saw a declining trend due to the COVID pandemic. The small scale of operations limits the company's financial flexibility in times of stress. The PBILDT margin in FY23 was reported at 2.21% (FY22: 7.33%), the margins did not improve despite the growth in scale due to the rise in the cost of trade and employee costs. Also, the PAT margin stood at 0.17% in FY23 as compared to 0.11% in FY22.

Leveraged capital structure with low net worth base: The capital structure of the company has remained leveraged and marked by an overall gearing ratio of 5.20x in FY23 as against 4.57x in FY22 majorly on account of an increase in working capital utilisation and GECL loan. Also, higher leverage is on account of the company utilizing mainly in channel financing facility wherein they receive 100% funding coupled with a low net worth base of Rs.2.70 crore as of Mar 31, 2023. The debt coverage indicators have deteriorated due to an increase in overall debt which is marked by total debt to GCA of 28.90x (23.53x as of Mar 31, 2022) as of Mar 31, 2023.

Constitution of the entity being a partnership firm: GAC's constitution as a partnership firm has the inherent risk of the possibility of withdrawal of the partner's capital at the time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowings as credit creditworthiness of partners would be the key factor affecting the credit decision of the lenders.

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

Pricing restrictions and margin pressure arising out of intense competition: The margin on products is set at a particular level by Tata Motors Limited (Rated CARE AA; Stable/CARE A1+ as per PR dated June 15, 2023) (TML), thus restricting the firm to earn any incremental income. TML has a large dealership network which limits the bargaining power of the dealer with customers. Further, the original equipment manufacturers (OEMs) are encouraging dealerships to improve penetration and sales, thereby increasing competition amongst the dealers. The entry of the global OEMs into the Indian market has further intensified the competition. To capture the market share, auto dealers have to offer better buying terms like providing credit periods or allowing discounts on purchases which create pressure on the margins and negatively impact their earning capacity.

Dependency on fortunes of principal with low bargaining power: The business model of GAC is like trading with thin margins. Dealers lack bargaining power due to their dependence on such large principals that set policies, and targets, and link incentive-based income to satisfactory compliance with such policies. The company is exposed to the risk of a change in policy by the principal about the dealership

Key strengths

Experienced promoters & established track record of operations in the Automobile dealership business: GAC, established in 2016, is an authorized dealer of Tata Motors Ltd for the sale of Medium (MCV) & Heavy Commercial vehicles (HCV). The company commenced its operations in 2016 with its owned showroom in Warangal providing 3s (sales, service, spare parts) facilities. The company is an exclusive dealer of Heavy & Medium CVs (Cargo & construction vehicles) in Warangal district of Telangana. The partners, Mr Arun Kumar Muppasani and Mr Danikula Rambabu, have experience in automobile dealership business with TATA (Tata Motors Ltd) based in Telangana.

Benefit from a long-standing relationship with TML: GAC has been engaged in automobile dealership for over 8 years and has a long-standing association with its principal i.e., TML. Over the years, the firm has established its presence in the city of Warangal in the state of Telangana for the sale of Commercial vehicles.

Liquidity: Stretched The liquidity position of GAC is stretched marked by high utilization of working capital limits of 90% for the past 12 months ending January 31, 2024. The company has reported gross cash accruals of Rs.0.49 crore in FY23 and free cash and bank balance of Rs.0.35 crore as of March 31, 2023, as against the repayment obligations of Rs.0.35 crore 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](#)

[Rating Outlook and Rating Watch](#)

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[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

Geetha Auto Commercials (GAC) is a Warangal-based auto dealership company incorporated as a partnership entity in 2016, by Mr. Muppasani Arun Kumar, Dhanikula Rambabu, Dhanekula Venu, Gangavarapu Nagarjuna and Nagendra Subramanyam. The company is an authorised dealer for the sale of commercial vehicles of Tata Motors Limited in Warangal district of Telangana. The company has set up a showroom and service centre with international standards. It provides 3s facility i.e., sales, spares, and service.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	11MFY24 (UA)
Total operating income	17.89	55.50	52.00
PBILDT	1.31	1.23	NA
PAT	0.02	0.10	NA
Overall gearing (times)	4.58	5.21	NA
Interest coverage (times)	1.59	1.42	NA

A: Audited UA: Unaudited; NA: Not Available 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-Cash Credit		-	-	-	4.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Vendor financing		-	-	-	11.00	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-Cash Credit	LT	4.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (26-Mar-24)	-	-
2	Fund-based - ST-Vendor financing	ST	11.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (26-Mar-24)	-	-

*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-Vendor financing	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.

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About us:

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