

Shri Gautam Automotive Private Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	120.00 (Reduced from 130.00)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Shri Gautam Automotive Private Limited (SGAPL) continues to remain constrained on account of its short track record of operations, thin profitability, leveraged capital structure, moderate debt coverage indicators and stretched liquidity. The ratings also factor in its limited bargaining power with principal automobile manufacturer i.e. Tata Motors Limited (TML; CARE AA+; Stable / CARE A1+) along-with intense competition in the auto dealership industry. The rating also considers expansion capex towards workshop facility.

The rating, however, favourably takes into account experienced promoters with established track record of 'Friends Group' of more than three decades in managing diversified businesses and established track record of SGAPL's principal i.e. TML.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in scale of operations with total operating income (TOI) of more than Rs.700 crore with PBILDT margin above 3% on sustained basis
- Significant increase in tangible net worth base of the company leading to improvement in overall gearing ratio below 2 times on sustained basis

Negative factors

- Significant decline in scale of operations with TOI falling below Rs.200 crore or PBILDT margin below 1.50% on sustained basis
- Any significant deterioration in the capital structure of SGAPL from present level impacting debt coverage indicators of the company

Analytical approach: Standalone while factoring in linkage, being a part of 'Friends group' of Gandhidham, Gujarat

Outlook: Not Applicable

Detailed description of key rating drivers:

Key weaknesses

Short track record of the company in auto dealership business

SGAPL was initially engaged in real estate development business since 1987, and subsequently, became non-operational after 2018. Consequently, it was renamed to its present name in April 2021 and got dealership business of Tata trucks from group entity, Shantinath Motors Private Limited (SAPL; CARE BB; Stable / CARE A4+); hence FY22 was its first full year of operations. As a result, SGAPL has short track record in auto dealership business. However, friends group has vast experience in this segment through its group company, SMPL as well as long standing experience of vehicle service/maintenance through group company, Gautam Freight Private Limited (GFPL; CARE BBB+; Stable / CARE A2).

Moderate scale of operations and thin profitability

SGAPL got dealership business of Tata Motors Limited from SMPL (a group company) after changing its name to present one [in April 2021], hence, FY22 was its first year of operations. In FY24, SGAPL's total operating income (TOI) grew by 27% to Rs.665.27 crore as against Rs.523.36 crore in FY23 and remained moderate. Furthermore, in 9MFY25, SGAPL registered TOI of Rs. 446.18 crore (P.Y: 452.08 crore) on the back of consistent increase in number of vehicles sold in the region. However, inherent to dealership business, profitability of the company remained thin owing to low value-added nature of operations marked by PBILDT margin and PAT margin of 3.14% and 1.30% respectively in FY24 [PY: 3.60% and 1.69% respectively]. In 9MFY25, SGAPL registered PBILDT margin and PAT margin of 3.31% and 1.70% respectively.

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

Leveraged capital structure and moderate debt coverage indicators

SGAPL's capital structure remained leveraged marked by overall gearing of 2.82 times as on March 31, 2024, as against 2.36 times as on March 31, 2024. The moderation in the overall gearing was primarily due to higher utilization of working capital limits as on balance sheet date. As on December 31, 2024, overall gearing stood at 2.37x.

Debt coverage indicators of the company also remained moderate as marked by interest coverage ratio of 2.38 times [FY23: 3.06 times] and total debt / GCA of 14.64 times [FY23: 9.52 times] in FY24.

Limited bargaining power with principal automobile manufacturer

SGAPL's automobile dealership business inherently has thin profitability margin. Moreover, in this business a dealer has very less bargaining power against the principal manufacturer. The margin on products is set at a particular level by the principal manufacturer thereby restricting the profitability.

Intense competition in the auto dealership industry

Indian automobile industry and its CV segment are highly competitive in nature as there are large numbers of players operating in the market like TML, Ashok Leyland, Mahindra & Mahindra, Bharat Benz, Eicher Motors, Hindustan Motors etc. Original Equipment Manufacturers (OEMs) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global players in the Indian market has further intensified the competition. Hence, OEMs 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 customer as this is a volume driven business. Dealers' fate is also linked to the industry scenario and performance of OEMs. Hence, performance and prospects of SGAPL is highly dependent on TML being its principal.

Key strengths**Experienced promoters with established track record of 'Friends group' across diversified business segments**

Gandhidham-based (Gujarat) Friends Group is promoted and managed by the Singhvi family represented by Sukhraj Amarchand Singhvi, Babulal Amarchand Singhvi, Tribhuvan Amarchand Singhvi and Ashok Amarchand Singhvi having experience of over two decades in industry. The Friends group has a presence of more than three decades at DPT and is engaged across diversified business activities like manufacturing & trading of salt, cargo handling & other port-related services, warehousing, auto dealerships, renewable power generation, manufacturing of castor oil as well as other agro products and trading of various commodities. The Friends group is one of the leading salt producers and exporters, has more than 10 lakh square feet of warehousing capacity, and cumulative renewable power generation capacity of more than 200 MW.

Established track record of its principal - TML

TML has a well-diversified product portfolio consisting of both commercial vehicle (CV) and passenger vehicle (PV) segments in India. TML is the market leader in the domestic CV segment and offers a broad portfolio of automotive products, including light, medium and heavy commercial vehicles both in goods carrier and passenger carrier varieties.

Liquidity: Stretched

SGAPL's liquidity remained stretched marked by negative cash flow from operations and moderate utilization of working capital limits at 74% for past 12 months ended December 2024. Also, there were few instance of overdrawing in its working capital limits, which were subsequently rectified in 1-2 days.

However, SGAPL's unencumbered cash and bank balance remained at Rs.25.11 crore as on March 31, 2024, and company has generated cash accruals of Rs.9.08 crore in FY24 [Rs.8.30 crore in 9MFY25] as against minimal long term debt repayment obligation. SGAPL's current ratio was moderate at 1.04 times as on March 31, 2024, and its operating cycle was stable at 56 days in FY24.

Applicable criteria

[Definition of Default](#)

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

[Factoring Linkages Parent Sub JV Group](#)

[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

Gandhidham (Gujarat) based GAPL (CIN: U50100GJ1987PTC010024) was incorporated in 1987 as Friends Infra Build Private Limited and previously was engaged into real estate development activities. Subsequently, the company discontinued real estate business, changed its name to current name in April 2021 and commenced automobile dealership business. The company got dealership business from a group company of TATA Motors Limited – commercial vehicle (CV) segment [i.e. TATA trucks] for Kutch, Gujarat region in 2021. The entity is part of Gandhidham based Friends Group which is engaged into diversified business activities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	523.36	665.27	446.18
PBILDT	18.83	20.92	14.75
PAT	8.86	8.63	7.60
Overall gearing (times)	2.36	2.82	2.37
Interest coverage (times)	3.06	2.38	2.30

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Working Capital Limits		-	-	-	120.00	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 2025-2026	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
1	Fund-based - ST-Working Capital Limits	ST	120.00	CARE A4+	-	1)CARE A4+ (04-Apr-24)	1)CARE A4+ (05-May-23)	-

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 - ST-Working Capital Limits	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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