

Visual Motors Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.88	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	72.12 (Enhanced from 50.00)	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Visual Motors Private Limited (VMPL) continue to be constrained due to its thin profitability, highly leveraged capital structure on low net worth base, moderate debt coverage, stretched liquidity and its presence in a competitive industry.

The ratings, however, continue to derive strength from VMPL's experienced promoters, growing scale of operations and long-standing relationship with its principal, Maruti Suzuki India Limited (MSIL).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation with total operating income (TOI) of more than Rs.400 crore along with improvement in PBILDT margin.
- Improvement in capital structure with overall gearing below 3.5x along with improvement in net worth base.

Negative factors

- Decline in scale of operations below Rs.200 crore and operating margin below 2.50% on a sustained basis.
- Any further deterioration in the capital structure along with moderation in debt coverage indicators.
- Decline in unsecured loans below Rs. 8 crores

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the company shall benefit from its experienced promoters in the automobile dealership industry and long-standing relation with MSIL.

Detailed description of key rating drivers:

Key weaknesses

Thin profitability albeit growing scale of operations

VMPL commenced operations in April 2020. VMPL's scale of operation increased significantly over the past 3 years and remained moderate at Rs.289.38 crore in FY24 (Rs. 225.38 crore in FY23). However, inherent to automobile dealership business, profitability of the company remained thin with PBILDT margin of 2.32% in FY24 (FY23: 2.77%). In 9MFY25, VMPL reported TOI of Rs. 310.43 crores with PBILDT margin of 2.31%.

Highly leveraged capital structure and moderate debt coverage indicators

During FY24 end, capital structure of the company moderated and became highly leveraged marked by an overall gearing of 10.23x (PY: 6.15x), due to new term loan availed on for purchasing commercial property at Surat and higher utilisation of working capital limits on a low net worth base of Rs. 6.26 crore. However, overall gearing improved to 6.71x as on December 31, 2024. The debt coverage indicators of the company also moderated during FY24, marked by PBILDT interest coverage of 1.74x (PY: 3.30x) and total debt/ PBILDT of 9.54x (P.Y.: 4.41x).

Presence in a competitive industry

Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market such as MSIL, Tata Motors, Hyundai, Honda and Toyota, amongst others. Original Equipment Manufacturers (OEMs) encourage more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global players in the Indian market has also intensified the competition. Hence, OEMs offer various discount schemes to attract customers and due to the high competition, dealers are also required to pass on such discounts and exchange schemes with presence in a volume

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

driven business. Furthermore, dealers' fortunes are also linked to the industry scenario and performance of OEMs. VMPL derives its revenue from sale of MSIL's cars and hence, its performance and prospects are highly dependent on MSIL being its principal.

Key strengths

Experienced Promoters in automobile industry

Incorporated in April 2020, VMPL is promoted by Agrawal family along with Mr. Sanjay Patel. Agrawal family has experience of automobile dealership from 2002 onwards. They have MSIL car dealership in Ahmedabad from 2017. VMPL also recently started Nexa showroom in Surat, Gujarat.

Benefit from long standing relationship with MSIL however limited bargaining power

VMPL operates 3 Arena, 2 Nexa showrooms, and 2 True Value outlets in Ahmedabad and they've recently expanded with a new Nexa showroom in Surat. However, their exclusive partnership with MSIL restricts their bargaining power for car purchases, spares, and accessories, as they must adhere to MSIL's pricing and conditions.

Liquidity: Stretched

VMPL had stretched liquidity position marked by high working capital limit utilization and negative cash flow from operations. The company generated gross cash accruals (GCA) of Rs.3.34 crore in FY24. Also, CFO of company remained negative at Rs. 17.75 crores in FY24. Majority of working capital was utilized for inventory funding and average inventory period of the company stood at 34 days in FY24. Since majority of the vehicles are financed by banks/financial institution and the processing of such vehicle loans takes up marginal time, the average collection period of the company stood at 9 days in FY24. Hence, operating cycle was moderate at 39 days in FY24 (27 days in FY23).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[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

Incorporated in April 2020, VMPL is an authorised dealer for passenger cars and light commercial vehicles of Maruti Suzuki India Limited under 'Pegasus' brand name. The company is headquartered in Ahmedabad, Gujarat and currently operates three 3-S (Sales, Service and Spares) Arena showrooms in Ahmedabad, three 2s outlet in Ahmedabad, two Nexa Showrooms at Ahmedabad and Surat respectively and two true value outlets at Ahmedabad constituting total ten outlets.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	225.38	289.38	309.74
PBILDT	6.25	6.71	7.16
PAT	3.04	1.84	0.95
Overall gearing (times)	6.15	10.23	6.71
Interest coverage (times)	3.30	1.74	1.47

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

Status of non-cooperation with previous CRA: None

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-Term Loan		-	-	December 2030	7.88	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	72.12	CARE BB-; Stable / 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 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/ ST-Working Capital Limits	LT/ST	72.12	CARE BB-; Stable / CARE A4	1)CARE BB-; Stable / CARE A4 (24-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	7.88	CARE BB-; Stable				

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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender detailsTo 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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