

Shyam Automotive

July 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.54	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	63.46	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Shyam Automotive (SA) are constrained on account of its leveraged capital structure with modest debt coverage indicators, thin profitability inherent to auto dealership business, stretched liquidity, geographical concentration of operations, constitution as partnership firm, and dependency of the firm on the fortunes of the principals with whom it has low bargaining power. Ratings are also constrained on account of firm's presence in the competitive and cyclical auto dealership industry.

The ratings, however, derive strength from the established track record and extensive experience of promoters in the automobile dealership industry and growing scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume-based growth in scale of operations above Rs.500 crore with sustained operating margin.
- Augmentation of net worth base above Rs.10 crore along with improvement in overall gearing below 7x.

Negative factors

- Decline in scale of operations below Rs.250 crore along with any major moderation in operating margin further impacting the debt coverage indicators.
- Any further withdrawal of capital by promoters resulting in the moderation of net worth base from current levels

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings¹) believes that the firm will continue to benefit from experience of the promoters in the auto dealership business. Sufficient cash balances against term debt repayment obligations shall support its liquidity profile.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure with modest debt coverage indicators

Capital structure of the firm stood leveraged as marked by overall gearing at 23.93x as at FY25 end (FY refers to the period April 1 to March 31) (9.40x at FY24 end) on account of a modest net worth base of Rs.2.58 crore. SA is required to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage, resulting in high working capital intensity in firm's operations. This coupled with the low profitability inherent in the auto dealership industry, leads to modest debt coverage indicators for the firm as marked by TD/GCA of 21.70 years during FY25 (12.40 years during FY24) and PBILDT Interest Coverage ratio of 1.43x (1.93x during FY23).

Geographical concentration of operations

The operations of SA are geographically concentrated with all of its showrooms operating in the Dhar and Indore region of Madhya Pradesh. However, firm has a long-standing association with the principal Tata Motors Limited (TMPVL; CARE AA+; Stable / CARE A1+) since 2017.

Limited bargaining power with the principals

SA's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, auto dealers have low bargaining power over their principals. The margin on products is set at a particular level by the principal manufacturer, thereby restricting the firm to earn incremental income. Further, the fortunes of auto dealers rest on the performance of the principals and the acceptability of their products in the market. Hence, performance and prospects of SA is highly dependent on the fortunes of TMPVL.

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

Inherently competitive and cyclical nature of the auto industry

The Indian automobile industry is highly competitive in nature owing to a large number of players operating in the market. With low set-up cost and no major entry barriers, emergence of new dealers is very imminent, further aggravating the competition faced from existing dealers of other OEMs. To offset the same, dealers must come up with extra discounts, which creates margin pressure and negatively impacts the earning capacity of the firm. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. The firm thus faces significant risks associated with such cyclical nature of the auto industry.

Constitution as partnership firm

SA's constitution being a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement and insolvency of partners. Moreover, partnership firms have restricted access to external borrowing, as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Key strengths

Experienced promoters and established track record of operations

SA's promoters, the Pamnani family, have been active in the automobile sector since 1975 through the Shyam Sangam group. The group operates multiple retail and wholesale outlets for spare parts, tyres, and oils, and runs other dealerships of brands such as Honda Motorcycle and Scooter India Private Limited (HMSI) and Honda BigWing in Indore.

Growing scale of operations albeit low profitability

SA's Total Operating Income (TOI) grew at CAGR of 40.50% for the period between FY21 to FY25 and stood at Rs.329.01 crore for FY25, largely driven by volume growth. Sale of four wheelers is skewed towards the second half of the year owing to festive season (in October) and Ujjain Mela (a special period in quarter 4 when then state government incentivizes PV sales by offering 50% discount on motor vehicle tax; 26 Feb to 9 Apr for 2025). SA sold nearly 3,500 cars during FY25 and is expected to sell more than 5,000 cars during FY26 on the back of newly opened showrooms. PBILDT margin of firm remained in the range of 2-3% in the past three years ended FY25, in line with the nature of auto-dealership industry.

Liquidity: Stretched

Liquidity of SA stood stretched as marked by tightly matched gross cash accruals vis-à-vis debt repayments obligations and modest liquidity cushion in the form of free cash and bank balance of ~Rs.5 crore as on March 31, 2025. Given the high working capital requirements inherent in the auto dealership industry, the operating cycle of SA remained moderate at 40 days during FY25 (41 days during FY24). Further, the average utilisation of FB limits remained around 70% during the past twelve months ended March 2025 along with high utilization of inventory funding limits, and the firm registered negative CFO during the past three years ended FY25.

Applicable criteria

[Definition of Default](#)

[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

Partnership firm, Shyam Automotive (SA) was founded by Vishal Pamnani, Shyam Pamnani, and Mukesh Pamnani in 2017. It is part of the Indore-based Shyam Sangam group, which has been in operations since 1975. SA is an authorized dealer for TATA Motors passenger vehicles and has seven showrooms, two workshops, and three stockyards across Indore and Dhar region of Madhya Pradesh.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	247.24	329.01
PBILDT	6.71	7.47
PAT	2.42	1.01
Overall gearing (times)	9.40	23.93
Interest coverage (times)	1.93	1.43

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 - LT-Term Loan		-	-	December 2036	10.54	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	63.46	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 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 - LT-Term Loan	LT	10.54	CARE BB-; Stable				
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	63.46	CARE BB-; Stable / CARE A4				

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-Term Loan	Simple
2	Fund-based - LT/ 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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