

Swarn Auto Motors Private Limited

September 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.53 (Enhanced from 2.93)	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	52.97 (Enhanced from 52.57)	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Swarn Auto Motors Private Limited (SAMPL) factor in the nascent stage of operations along with thin profitability margins of the company associated with dealership business. Ratings also take into consideration leveraged capital structure of the company mainly driven by high dependence on external borrowings to manage its working capital-intensive nature of operations. The ratings also take cognizance of inherent competition from other OEM (Original Equipment Manufacturer) dealers, limited bargaining power and cyclical nature of auto industry. However, the ratings draw strength from extensive experience of promoters in the auto dealership space by their association with other OEMs.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with total operating income (TOI) growing more than Rs. 300 crores coupled with Profit before interest, lease, depreciation and tax (PBILDT) margin above 2.50% on sustained basis.
- Improvement in solvency position as reflected by overall gearing below 3.50 times on sustained basis.

Negative factors

- Any deterioration in operational performance of the company as marked by TOI below Rs. 250 crore along with the PBILDT margin below 1.50% on a sustained basis.
- Any further deterioration in capital structure as marked by Total Outside Liabilities/ Total Net Worth (TOL/TNW) above 9.00x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that SAMPL will sustain growth in its operational performance and continue to derive benefit from its experienced promoters.

Detailed description of key rating drivers:

Key weaknesses

Nascent-Stage of Operations with thin profitability margins

Since commencing operations in July 2023, the company has demonstrated strong revenue traction driven by healthy demand in the automobile dealership sector. Despite being in its nascent stage, the company achieved a growth in operating income from ₹95.83 crore in FY24 (refers to April 01 to March 31) to ₹252.91 crore in FY25. However, the profitability margins remained thin due to auto dealership nature of business as marked by PBILDT and PAT (Profit after tax) margins of 1.36% and 0.54% respectively.

Leveraged capital structure

The company's capital structure remains leveraged, with an overall gearing of 6.7x as on March 31, 2025 (5.48x as on March 31, 2024), primarily due to high reliance on external debt, largely in the form of working capital borrowings. Total outside liabilities to net worth (TOL/TNW) also stood high at 8.68x as on March 31, 2025, though slightly improved from 6.86x in previous year. The moderation in capital structure was primarily driven by increased working capital requirements to support business scale-up. Debt coverage indicators also remained marginally weak, as reflected by a PBILDT interest coverage of 1.05x in FY25 (down from 2.16x in FY24) and a high TD/GCA of 15.33x. The deterioration was mainly due to stable profitability against rising debt levels.

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

However, going forward, the capital structure is expected to improve with profit accretion to reserves, though debt coverage indicators may remain under pressure in the near term due to continued dependence on external borrowings.

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. In order to capture the market share, the auto dealers' offer better buying terms like allowing discounts on purchases. Accordingly, the company has to resort 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 strong 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.

Limited bargaining power with principal automobile manufacturer

SAMPL's business model is largely in the nature of trading wherein profitability margins are moderate. Moreover, dealers have less bargaining power over principal manufacturer. In order to capture the market share, the auto dealers' offers better buying terms like allowing discounts on purchases. Such discounts offered to customers create margin pressure. The company procures its product directly from its principal; and is not dependent upon any dealers/distributors for business which helps the company to avail better pricing of purchases. Furthermore, the fortunes of the company are directly linked to its supplier. This also exposes the company's revenue growth and profitability to its supplier's future growth prospects. Any impact on business and financial profile of the manufacturer will also have an impact on the growth prospects of the company.

Key strengths

Extensive experience of promoters in the industry

SAMPL is promoted by Manmohan Singh and Gagandeep Singh, both postgraduates with over 10 years of experience in the automobile sector. They also serve as directors in HGP Cars Private Limited (authorized dealer for Renault India Private Limited), Swarn Cars Private Limited (authorized dealer for Ford Motor Private Limited), and RMPL Cars LLP (authorized dealer for Volkswagen). Backed by a growing network of sales outlets and a seasoned leadership team, SAMPL is focused on delivering excellent customer service and supporting the expansion of the Toyota brand across Uttar Pradesh.

Liquidity: Stretched

SAMPL's liquidity position remains stretched as marked repayment obligations of ~Rs. 1 crore against projected GCA of Rs. 2.81 crore during FY26. Further, the company reported negative cash flow from operations of ₹13.14 crore for the fiscal year ending March 2025. The company's current ratio and quick ratio stood at 0.95x, and 0.59x respectively as on March 31, 2025. The average utilization of working capital limits for the past 12 months period ending July 2025 remains 80-90%. However, the company maintained an unencumbered cash and bank balance of approximately ₹5.83 crore as of March 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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

SAMPL, situated in Kanpur, Uttar Pradesh, was established on September 26, 2022, by Manmohan Singh and Gagandeep Singh. The company operates as an authorized Toyota car dealership and commenced its vehicle sales in July 2023.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	95.83	252.91
PBILDT	3.25	3.45
PAT	0.32	1.37
Overall gearing (times)	5.48	6.70
Interest coverage (times)	2.16	1.05

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-Term Loan	-	-	-	2032	3.53	CARE BB; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	52.97	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/ ST-Working Capital Limits	LT/ST	52.97	CARE BB; Stable / CARE A4	-	-	-	-
2	Fund-based - LT-Term Loan	LT	3.53	CARE BB; Stable	-	-	-	-

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 lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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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