

Saibaba Sales Private Limited

January 22, 2021

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.08	CARE B; ISSUER NOT COOPERATING* (Single B ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; (Single B Plus)
Total Facilities	17.08 (Rs. Seventeen Crore and Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE had, vide its press release dated October 25, 2019, placed the rating of Saibaba Sales Private Limited (SSPL) under the 'issuer non-cooperating' category as SSPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SSPL continues to be non-cooperative despite repeated requests for submission of information through email letter dated June 24, 2020, November 24, 2020, January 12, 2020, January 15, 2021 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the rating assigned to the bank facilities of SSPL takes into account no due diligence conducted and non-availability of information due to non-cooperation by SSPL with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The revision in rating also factors in decline in profit margins and deterioration in solvency position of the company in FY19.

Detailed description of the key rating drivers

At the time of last rating on October 25, 2019 the following were the rating strengths and weaknesses (Updated with recent information from MCA):

Key Rating Weaknesses

Financial risk profile marked modest scale of operations, low profitability, leveraged capital structure and weak debt coverage indicators: The TOI improved from Rs 75.91 crore in FY18 to Rs 105.30 crore in FY19. The profitability margins declined and continue to remain low in FY19. Furthermore, the capital structure also deteriorated and remained leveraged with overall gearing of 2.12x as on March 31, 2019. Moreover with low profitability and high gearing levels, the debt coverage indicators remained weak.

Growth in operations linked to the performance of TMCL and CSIPL: SSPL, being an authorized dealer for TMCL and CSIPL is highly dependent on overall growth of TMCL and CSIPL which operate in an environment marked by intense competition owing to the large number of players in the industry and continuously changing technology as well as consumer preferences.

Exposed to the cyclicality associated with the auto segment and intense competition: Being closely linked to economic cycle, the automobile industry is facing slump in the overall demand as the same is driven by interest rate cycle, subdued growth in disposable income and other macro-economic factors. A recessionary trend in the economy has a direct impact on the demand thus having a bearing on the financial performance of the company. Furthermore the automobile segment faces intense competition from other automobile manufacturers like Maruti, Tata, Hyundai, Ford and new entrants like Nissan, Volkswagen in the passenger vehicle segment along with the presence of Hero Honda, Bajaj and other established players in the two wheeler segment.

Working capital intensive nature of industry: SSPL is engaged in the business of trading of passenger vehicles and two wheelers, which require holding of minimum level of inventory to meet customer requirement on time. Thus to maintain the adequate level of inventory, the company resorts to high level of working capital borrowings which have resulted in high gearing levels.

Key Rating Strengths

Experienced promoters and established track record of operations: SSPL is promoted by Mr Kirpal Gehaney who has an experience of more than one and a half decade in the auto dealership industry. Prior to the incorporation SSPL, he was engaged in the real estate segment and has an experience of about four years in the real estate industry. Mrs Rashmi

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Gehaney and Mrs Soniya Gehaney both have an experience for more than a decade in the auto dealership segment and look after the administrative and marketing divisions respectively.

Favorable market position along with integrated nature of services: SSPL has its TVS showrooms in Pimpri-Chinchwad and Hinjewadi within Pune. SSPL is the sole distributor for the entire Pimpri Chinchwad area over Chakan to Lonavala. The company has a wide spread network with a total of 12 sub dealers across the region assigned to the company to penetrate across the market and increase its scale of operations. Furthermore, the company has two showrooms for Chevrolet for the entire region of Pimpri Chinchwad. SSPL also provides authorized sales service and deals in accessories and spare parts apart from selling cars and bikes by virtue of being a '3-S' authorized dealer for both TVS and Chevrolet. The company has an advantage of having an authorized service Centre that helps to capture a larger customer base that prefer to purchase car from dealers having their own authorized service Centre.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Wholesale Trading](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

SSPL is a Pune based company which was incorporated in the year 2000 and has diversified its operations in two divisions viz; real estate development of residential complexes within Pune since 2009, auto dealership for two wheelers TVS Motor Company Limited and four wheelers Chevrolet Sales India Private Limited since 2008 and October 2012 respectively.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	75.91	105.30
PBILDT	2.63	2.37
PAT	1.93	1.69
Overall gearing (times)	1.29	2.12
Interest coverage (times)	1.41	1.11

A: Audited,

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2017	0.58	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	11.50	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	5.00	CARE B; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.58	CARE B; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB-; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING* (02-May-17)
2.	Fund-based - LT-Cash Credit	LT	11.50	CARE B; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB-; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING* (02-May-17)
3.	Fund-based - LT-Electronic Dealer Financing Scheme	LT	5.00	CARE B; ISSUER NOT COOPERATING*	-	1)CARE B+; ISSUER NOT COOPERATING* (25-Oct-19)	1)CARE BB-; ISSUER NOT COOPERATING* (16-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING* (02-May-17)

*Issuer did not cooperate; based on best available information

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Group Head Name: Ms. Prateechee Misra
Group Head Contact no.: 020 - 40009026
Group Head Email ID: prateechee.misra@careratings.com

Business Development Contact

Name: Mr. Aakash Jain
Contact no. : 020 - 40009090
Email ID: aakash.jain@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.