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Kothari Auto Wheels Private Limited

March 11, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Facilities	17.00	IVR BBB-/Stable/IVR A3 (IVR Triple B Minus with Stable Outlook and IVR A Three)	-	Assigned	Simple
Proposed Long Term/ Short Term Facilities	1.65	IVR BBB-/Stable/IVR A3 (IVR Triple B Minus with Stable Outlook and IVR A Three)	-	Assigned	Simple
Total	18.65 (Rupees Eighteen crore and sixty five lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned rating of IVR BBB-/Stable and IVR A3 to the long-term and short-term bank facilities of Kothari Auto Wheels Private Limited (KAWPL). The ratings derive strength from authorized dealership for Pune, of Maruti Suzuki India Limited (MSIL) which is the leader in the passenger vehicle segment in India. The ratings factor in revenue augmentation by commission on vehicle finance, insurance as well as service income, stable revenue growth over FY22-FY24 (albeit marginal decline in the profitability margins in FY24), and extensive experience of promoters. However, the rating strengths are partially offset by revenue exposure to intense competition, thin profitability margins inherent to dealership business, moderate capital structure and high working capital requirement.

The 'Stable' outlook reflects Infomerics' expectation that the company will continue to benefit from experienced management and reputed principal MSIL, which enjoys leadership position in the domestic passenger vehicle industry.



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Key Rating Sensitivities:

Upward Factors

- Substantial growth in the scale of operations, improvement in EBITDA margins leading to overall gearing below 2.00x on a sustained basis.

Downward Factors

- Significant revenue decline or substantial deterioration in profitability leading to overall gearing above 3.25x on a sustained basis and any deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Authorized dealer of MSIL which is the leader in the passenger vehicle segment in India**

KAWPL is an authorized dealer in Pune, of MSIL since its inception and is involved in sales and service of vehicles along with sale of spare parts, accessories, finance and insurance. Besides being a leader in the domestic passenger vehicle market, MSIL is India's largest exporter of passenger vehicles with a share of nearly 42%. In FY24 (period refers from April 01 to March 31), in the domestic market, MSIL alone sold a volume of 18,52,256 passenger vehicles out of 42,18,746 vehicles sold in India. The strong demand for Maruti Suzuki's vehicles can be gauged from the fact that there continues to be waiting period of around 3 months for models such as Grand Vitara and Ertiga (although reduced from 8 months in FY24), and around 2 months for the Swift Dzire facelift. With impending launch of new models in the EV space such as Grand Vitara EV, the company is expected to consolidate its position in the EV space as well. The company has bagged Royal Platinum & Alpha Band Dealer for the 03 consecutive years in a row from MSIL.

- **Stable revenue growth albeit marginal decline in the profitability margins**

KAWPL's revenue has increased by ~35% on a year-on-year basis to Rs. 496.72 crore in FY24 driven by an increase in numbers of units sold as well as increase in average realization per car from Rs 5.35 lacs in FY23 to almost Rs. 6.1 lacs in FY24. Further, in FY25 till December 31st, 2024, the company has achieved a revenue of ~Rs.430 crore



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which is 86% of the projected revenue. The EBITDA margin had marginally declined in FY24 to 2.77% as against 3.64% in FY23 mainly on account of the higher proportion of discounts offered to the customers. EBITDA in absolute terms has remained almost stable to Rs. 13.74 crore in FY24 as against Rs. 13.44 crore in FY23.

- **Revenue augmented by commission on vehicle finance, insurance as well as service income**

KAWPL benefits from a diversified income stream, which enhances the stability of its revenue. While a significant portion of its revenue comes from sales of new vehicles, the company also generates income through the sale and servicing of spare parts, commissions on sales and insurance, and trading in second-hand vehicles. This diverse income strategy helps the company seize various revenue opportunities, ensuring stable financial performance even during market fluctuations.

- **Extensive experience of promoters**

The Managing Director of the company, Mr. Vishal Vijaykant Kothari has a vast experience of auto dealership business spanning nearly two decades. The overall affairs of the company are managed by Mr. Vishal Vijaykant Kothari and Mrs. Trishala Vishal Kothari. The promoters have expanded the setup into a network of 4 showrooms, 7 workshops, 3 True Value outlets, 5 driving schools, and 3 body shops across Pune, enabling wide customer reach and enhanced brand visibility.

Key Rating Weaknesses

- **Exposure of sales to intense competition**

Indian automobile industry is highly competitive in nature as there are large number of players operating in the market like Hyundai, Tata Motors, Toyota, Kia Motors, MG Motors, Nissan, Mahindra, Skoda, Volks Wagen etc. in the passenger vehicle segment. Entry of the global players in the Indian market has further intensified the competition. Due to very high competition in the industry, dealers are also forced to pass on discounts and other schemes to attract customers as this is a volume driven business. Hence, the performance and prospects of the company is highly dependent on Maruti-Suzuki being its principal.



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- **Thin profitability margins are inherent to dealership business**

The dealership business is characterized by thin margins and low bargaining power of the dealer, as margins on vehicles are determined by the principal. EBIDTA margin declined to 2.77% in FY24 from 3.64% in FY23 owing to higher discounts offered. PAT margin has also marginally declined to 1.41% in FY24 from 2.33% in FY23.

- **Moderate Capital Structure**

Infomerics has taken a combined view of The Kothari Wheels (partnership firm) and KAWPL considering the on-going transfer of business from the former to the latter. The capital structure of KAWPL is marked by overall moderate gearing ratio & TOL/ATNW at 3.68x and 4.77x respectively as on March 31st, 2024 (vis-à-vis 2.00x and 2.19x respectively as on March 31st, 2023) due to increase in working capital limits to fund its increased scale of operations during FY24. The increased leverage is also on account of decrease in partner's capital in The Kothari Wheels from Rs. 24.46 crore in FY23 to Rs. 13.24 in FY24. Infomerics expects gearing to improve further from FY26 onwards with expected improvement in profitability and repayment of term loans.

- **High working capital requirement**

KAWPL is required to make advance payments to Maruti Suzuki for vehicle procurement, with dispatch occurring approximately 7-8 days after payment. As a result, the vehicles typically reach the company within 10-12 days from the date of payment. Additionally, KAWPL extends credit facilities to a few key clients, including the Canteen Stores Department and fleet taxi operators, impacting its working capital cycle. These factors necessitate efficient financial planning to manage cash flow and ensure smooth operations.

Analytical Approach: Combined

Infomerics has taken a combined view of KAWPL and The Kothari Wheels (TKW) due to their common promoters and management, business operations, and financial linkages between the group companies. TKW, a partnership firm established in 2005 by Mr. Vishal Kothari, transferred its dealership business to KAWPL in June 2023 to benefit from a lower



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corporate tax rate. KAWPL now carries forward the dealership business, with full transition expected by FY25. From FY26 onwards, ratings will be based solely on KAWPL's standalone performance. Management of existing partnership firm & newly incorporated company is with family members only- Mr. Vishal V Kothari, Mr. Vijaykant M Kothari (Father of Vishal Kothari) & Trishala V Kothari (Wife of Vishal Kothari).

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Applicable Criteria:

[Rating Methodology for Trading Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for Consolidation of companies](#)

Liquidity – Adequate

The company's liquidity is adequate marked by ~76% average utilization of fund-based working capital limits for last 12 months ended January 2025. It expects moderate cushion in cash accrual against its scheduled debt repayment obligation. The current ratio and quick ratio of the company stood at 0.93x and 0.57x respectively as on March 31, 2024. The unencumbered cash and bank balance as on December 31, 2024, is Rs.0.87 crore. The gross cash accruals are expected to be in the range of Rs. 8.00-12.00 crore annually against the annual repayment obligation of ~Rs. 1.02-1.07 crore and will provide an adequate cushion to the liquidity of the company.

About the Company

KAWPL has acquired the dealership business of MSIL from TKW, which has been an automobile dealership for MSIL for the past 18 years. TKW, earlier registered under the Partnership Act, was established on July 26, 2005. Both TKW and KAWPL are based in Pune, Maharashtra. Founded by Mr. Vishal Kothari in 2005, KAWPL operates a network of 4



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showrooms, 7 workshops, 3 True Value outlets, 5 driving schools, and 3 body shops across Pune.

Financials (Combined):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	368.88	496.72
EBITDA	13.44	15.00
PAT	8.68	7.06
Total Debt	48.90	83.50
Tangible Net Worth	24.45	22.68
EBITDA Margin (%)	3.64	3.02
PAT Margin (%)	2.33	1.42
Overall Gearing Ratio (x)	2.00	3.68
Interest Coverage (x)	3.37	2.64

* Classification as per Infomerics' standards.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	0.00	410.04
EBITDA	-0.06	10.04
PAT	-0.06	4.50
Total Debt	0.90	79.79
Tangible Net Worth	-0.01	9.44
EBITDA Margin (%)	NM^	2.45
PAT Margin (%)	NM	1.10
Overall Gearing Ratio (x)	NM	8.45
Interest Coverage (x)	NM	2.30

* Classification as per Infomerics' standards.

^Not Meaningful

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year T)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in T-1	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	E-DFS	Long Term/Short Term	17.00	IVR BBB-/Stable/ IVR A3	--	--	--
2.	Proposed	Long Term/Short Term	1.65	IVR BBB-/Stable/ IVR A3	--	--	--

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
E-DFS	-	-	-	-	17.00	IVR BBB- /Stable/IVR A3
Proposed	-	-	-	-	1.65	IVR BBB- /Stable/IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Kothari-Auto-Wheels-11mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: NA

Annexure 4: List of companies considered for Combined analysis:

Name of the /Entity	Consolidation/Combined Approach
The Kothari Wheels	Fully combined
KAWPL	Fully combined

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com