



Press Release

Puneet Auto Sales Private Limited

August 07, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	81.20	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
2.	Long Term Bank Facilities (Proposed)	17.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Total		98.20	Rupees Ninety-Eight Crores & Twenty Lakhs 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 ratings to the bank facilities for long term facilities to IVR BB+ with stable outlook of Puneet Auto Sales Private Limited (PASPL).

The rating draw comfort from established track record of operations and experienced management, established market position as a leading dealer for TML's vehicles in Lucknow, Uttar Pradesh. However, these rating strengths are partially offset by dependency on the fortunes of Tata Motors Limited, exposure to intense competition, thin profitability margins and cyclical nature of automobile industry.

IVR has principally relied on the audited financial results of PASPL's up to 31 March 2023, and provisional financials of FY24(i.e. review period from 1st April,2023 to 31st March, 2024) and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company's management.

- **Upward Factors**

- Improvement of operating income and profitability of the company on a sustained basis leading to improvement in gross cash accruals



Press Release

- Management of working capital requirements efficiently with improvement in liquidity position.
- Improvement in debt protection metrics with overall gearing ratio below 2x.

- **Downward Factors**

- Moderation in operating income and/or cash accruals on a sustained basis impacting the financial risk profile.
- Elongation of Operating cycle dampening the liquidity position.
- Deterioration in debt protection metrics and overall gearing.

List of Key Rating Drivers with Detailed Description

Established track record of operations and experienced management

The promoters of the company have over two decades of experience in Automobile industry. Company will continue to benefit from vast experience of the management and well-established relationship with their key suppliers and customers. Long experience of the promoters and its established track record of operations strengthens the operational risk profile of the company.

- Established market position as a leading dealer for TML's vehicles in Lucknow, Uttar Pradesh:

Puneet Auto sales Pvt Ltd. is among the leading dealers of Tata Motors Limited in Lucknow, Uttar Pradesh and has a diversified presence in the state, dealing in the entire range of passenger vehicles. The company has received numerous awards from TATA MOTORS LTD. for its outstanding performance in various aspects of its business.

A. Key Rating Weaknesses

Dependency on the fortunes of Tata Motors Limited

PASPL being an authorized dealer of Tata Motors and is vulnerable to the risk of change in policy by the principal with regards to the dealership. Accordingly, the financial risk profile of the company has a high degree of correlation with the performance of Tata Motors vehicles in the market and their ability to launch new products as per the market dynamics. Further, PASPL, like other players in the automobile, remains exposed to economic vulnerability, regulatory and legal risks in developing markets such as evasion of tax rates, fluctuation in prices of fuel, initiative taken by government to reduce carbon print like BS-VI emission norms, shifting investment to electric vehicles, change in customer demands etc.



Press Release

Exposure to intense competition:

PASPL faces stiff competition from dealers of other leading players, along with the unorganized used car market. Original equipment manufacturers also encourage more dealerships to improve penetration and sales, and thus, increase competition between dealers. Demand for passenger cars is also cyclical and depends upon multiple factors, such as economic growth, interest rates, and fuel prices.

Thin Profitability Margins

The profitability of the company is marked by EBITDA margin stood at 3.36% and PAT margin is 0.71% in FY24 (Provisional). EBITDA of the company in absolute terms stood at Rs.14.14 crore and PAT stood at Rs.2.97 crore in FY 24 (Provisional). Further, gross cash accruals (GCA) stood at Rs.3.20 crore in FY24 (Provisional).

Cyclical nature of automobile industry

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the movement in interest rates and fuel prices. A hike in interest rate, increases the costs associated with the purchase leading to purchase deferral. Fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The Company thus faces significant risks associated with the dynamics of the auto industry and the economic cycle.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
[Criteria for assigning Rating outlook.](#)
[Policy on default recognition and post-default curing period](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Company's liquidity position is adequate marked by sufficient cushion in cash accruals of Rs. 3.20 crore as against repayment obligation of Rs. 0.51 crore in FY24(Prov.). In the projected period from FY25-27 the GCA is expected in the range of Rs. 6.01- 6.88 crore against the CPLTD of Rs.1.29- 2.04 Crore. Further, the company's fund-based working capital limits for last 12 months ending March 2024 stood at 93.03% indicating no cushion available in case of adversities. The company has unencumbered cash & bank balances which stood at Rs.3.42 crore as on March 31, 2024. The current ratio stood at 1.01x in FY24(Prov.)



Press Release

About the Company

Puneet Auto Sales Private Limited was incorporated on 13 January 2021 and started operations on 10 March 2022. Puneet Automobiles Private Limited is an authorized dealer of Tata Motors and consists of two divisions: Passenger Vehicles and Commercial Vehicles. Due to the increasing level of business and GST compliance, the management of the company became difficult, so they have formed two companies for better management and decision-making. It was decided that the original company (Puneet Automobiles Private Limited) would operate only in the commercial segment. The passenger car segment will be handled by two new companies Puneet Auto Sales Private Limited and Puneet Auto Pvt Ltd.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	431.25	420.64
EBITDA	8.56	14.14
PAT	3.21	2.97
Total Debt	76.74	113.77
Tangible Net worth	14.24	17.67
EBITDA Margin (%)	1.98	3.36
PAT Margin (%)	0.74	0.71
Overall Gearing Ratio (x)	5.39	6.44
Interest Coverage Ratio (x)	1.49	1.42

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Care ratings vide press release dated Oct 6, 2023 has classified the ratings under issuer not cooperating category on account of non-submission of relevant information.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	7.20	IVR BB+/Stable	-	-	-
2.	Cash Credit	Long Term	37.50	IVR BB+/Stable	-	-	-
3.	Inventory Funding	Long Term	36.50	IVR BB+/Stable	-	-	-
4.	Proposed Facility	Long Term	17.00	IVR BB+/Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Om Prakash Jain
Tel: (011) 45579024
Email: opjain@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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 visit www.infomerics.com.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	2031	7.20	IVR BB+/Stable
Cash Credit	-	-	-	37.50	IVR BB+/Stable
Inventory Funding	-	-	-	36.50	IVR BB+/Stable
Proposed facility	-	-	-	17.00	IVR BB+/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Puneet-Auto-07aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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