



Press Release

Big Boy Toyz Limited

July 12, 2022

Ratings

Sl. No.	Type of Facility	Rated Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
1	Long Term Fund Based Facilities	60.00	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Total		60.00 (Rupees Sixty Crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Big Boy Toyz Limited ('BBT' or 'the Company') factors in the long-standing experience of the promoters, strong brand image, well established procurement policy and network and sole pan India player in the pre-owned luxury cars segment.

The ratings, however, are constrained by the working capital-intensive nature of operations and thin operating margin as prevalent in automobile dealership industry. The ability of the Company in increasing the scale of business and profit margin and improving debt protection metrics and capital structure will be key rating sensitivities.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.

Downward Factors

- Further elongation of working capital cycle, any decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the promoters:

The promoters have experience of around 2 decades in the pre-owned luxury vehicle industry. This has given them an understanding of the market dynamics and helped build relationships with customers.

Sole pan India player in the pre-owned luxury / premium segment:

BBT is the only established brand at pan India level in pre-owned luxury cars. BBT has its presence in South India (through its Hyderabad store) and West (through its Mumbai store) along with head office and service centre at Gurgaon (North India). Pre-owned luxury cars industry in India is gradually shifting from the unorganised sector to organised sector. BBT, being the sole player having pan India presence in the pre-owned luxury cars coupled with an early mover advantage, is well poised to take advantage of this shift. In the past, the company has achieved CAGR of ~12% from FY18 (Rs 131.27 cr) to FY22 (Rs 206.13 cr) and CAGR of ~24% during the past two years (FY20 to FY22).



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Price insensitive customers:

Big Boy Toyz's customer profile belongs to high profile wealthy families, film stars, sportspersons, and other celebrities. The price of the product remains immaterial, and they can afford to pay high premiums to purchase luxury cars. Being insensitive to price, the nature of business is recession proof to a large extent. Despite having lockdowns during major part of the year during FY21, BBT has achieved sales growth of 35.44% y-o-y and as per FY22 (prov.) it is further increased by 13.04% y-o-y. This shows the inherent strength and capability of the business to overcome any adverse macro factor in future.

Strong brand image:

BBT has a fixed price policy, which shows the goodwill and the trust that the customers possess on the company. This is further supported by the fact that many customers of BBT have made purchases without visiting the showrooms and have taken delivery of the car at their homes. During Covid times, numbers of cars were delivered to the customers to different cities, which was one of the reasons behind high sales growth of 35.44% y-o-y in FY21 despite lockdowns.

Well established procurement policy and network:

BBT generally buys non-accidental cars which are not more than three years old or have been driven for not more than 15,000 kms. The company also provides the schemes/ options for buying back the sold cars. Further, BBT has in-house sales and digital marketing team to keep a close tab on the prospective customers and availability of the pre-owned luxury cars. Having an established brand, BBT is also approached by the dealers of OEMs of luxury cars in assisting them to sell their unsold inventory of models on a commission basis.

Strong in-house technical capabilities:

Company has technical team comprising of around 15 highly experienced personnel to evaluate the condition of cars by applying well defined testing procedures. Post testing, painting and finishing, cars are listed on to the user-friendly website for sales. BBT provides warranty of six months from the date of delivery to its customers, which shows the technical competency that it possesses.



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No Concentration Risk:

Unlike OEMs' distributors/dealers, BBT is not dependent on the fortunes of any single brand. Consequently, concentration risk is fully mitigated. Authorized dealers have limited bargaining power and dependency in dealing with the single OEMs only. Business of BBT is immune to such risks on account of the diversified portfolio.

Key Rating Weaknesses

Working capital intensive nature of operations:

Inventory management is crucial for BBT as it needs to maintain optimal inventory of vehicles to meet the premium customers' demand. Accordingly, the average inventory period of the company stood at around 69 days in FY22 (prov.). The operating cycle of the company stood at 88 days in FY22 (prov.) due to its high collection and inventory period. The average working capital utilization of the company remained high at ~98% for the past 12 months period ended May 2022.

Thin operating margin as prevalent in automobile dealership industry:

The automobile dealership business is characterised by thin margins. The inherently low value addition and competition in the auto dealership business resulted in low operating margin for the company. BBT's operating margins remained in the range of 3.3% - 3.8% over the past three fiscals till FY22.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The average working capital utilization of the company remained high at ~98% for the past 12 months period ended May 2022. The company's cash and bank balance have been low at Rs.0.93 Crore as of 31st March 2022 (prov.). Operating Cycle has deteriorated to 88 days due



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to elongated Inventory days of 69 days in FY22 (prov.). However, Current Ratio has improved from 1.21x as on 31-Mar-2020 to 1.48x as on 31-Mar-2022 (prov.).

About the Company

Incorporated in 2009, Big Boy Toyz Ltd (BBTL) operates five multi-brand, pre-owned luxury car showrooms under BBT brand. The company is based in Gurugram and promoted by Mr. Jatin Ahuja and family members. The showrooms are located in Gurugram, Delhi, Mumbai, Hyderabad and Himachal Pradesh. In addition, it has a service centre in Gurugram for repairing, painting and evaluating the cars that are procured by the company.

Financials (Standalone):

For the year ended* / As on	INR in Crores		
	31-03-2020	31-03-2021	31-03-2022
	Audited	Audited	Provisional
Total Operating Income	134.37	182.35	206.13
EBITDA	4.93	6.91	6.96
PAT	0.20	1.73	2.20
Total Debt	34.67	38.89	37.29
Tangible Net worth (Adjusted)	12.64	14.39	21.59
EBIDTA Margin (%)	3.67	3.79	3.38
PAT Margin (%)	0.15	0.95	1.07
Overall Gearing ratio (X) (Adjusted)	2.74	2.70	1.73

**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA:

CRISIL Ratings moved the ratings for the bank loan facilities of Big Boy Toyz Ltd under Issuer Not Cooperating category dated 28 Feb 2022.

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding /Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit (Sanctioned)	Long Term	27.00	IVR BBB-/ Stable	-	-	-
2.	Dropline OD (Sanctioned)	Long Term	2.00	IVR BBB-/ Stable	-	-	-
3.	Cash Credit (Proposed)	Long Term	31.00	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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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

S. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Long Term Fund Based Facilities Cash Credit	-	-	Not Applicable	21.00	IVR BBB-/ Stable
2	Long Term Fund Based Facilities Cash Credit	-	-	Not Applicable	6.00	IVR BBB-/ Stable
3	Long Term Fund Based Facilities Cash Credit (Proposed)	-	-	Not Applicable	31.00	IVR BBB-/ Stable
4	Long Term Fund Based Facilities Dropline OD	-	-	Not Applicable	2.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Big-BoyToyz-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: 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 www.infomerics.com.