



## Press Release

### Big Boy Toyz Limited (BBT)

October 11, 2023

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	69.80 (Increased from 60.00)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
<b>Rs. 69.80 Cr (Rupees Sixty-Nine Crores and Eighty Lakhs Only)</b>				

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Big Boy Toyz Limited (BBT) continues to derive comfort from long-standing experience of the promoters, strong brand image, well established procurement policy and network and sole pan India major player in the pre-owned luxury cars segment. The ratings also factor in improving revenue & no concentration risk.

The ratings, however, are constrained by moderate capital structure and debt protection metrics, working capital-intensive nature of operations and thin EBITDA margin as prevalent in automobile dealership industry.

#### Key Rating Sensitivities:

#### Upward Factors

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



## Press Release

### 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

**Strong commitment by promoters backed by the infusion of funds:** During FY22, promoters had infused unsecured loans (subordinate) of Rs. 5 crores in April-2022. Promoter's strong commitment and confidence towards the company is demonstrated by the fact that the funds were sourced from the sale of the residential plot.

**Extensive industry experience of the promoters & strong brand image:** 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 as well as perspective sellers. 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 of the customers are repetitive buyers.

**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.

**Price insensitive customers:** BBT's customer profile belongs to high profile wealthy families, film stars, sportspersons, and other celebrities. The price of the product generally 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. This shows the inherent strength and capability of the business to overcome any adverse macro factor in the future.



## Press Release

**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, now extending to Bangalore as well in the FY24) and West (through its Mumbai store) along with head office and service centre at Gurgaon (North India). It also has a early mover advantage in selling of pre-owned luxury cars.

**Well established procurement policy and network:** BBT has a policy to buy 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 like BMW, Audi, etc. in assisting them to sell their unsold inventory of models on a commission basis.

**Improving Revenue:** The company witnessed Y-O-Y increase of 23.04% in revenue in FY23 marked by total operating income of Rs 253.45 Cr (FY22: Rs 206.17 Cr, FY21: Rs 182.35 Cr, FY20: Rs 134.37 Cr). The company has achieved sales figure of Rs 103.83 Cr till Aug 2024. Infomerics expects the current year revenue to remain at FY23 levels.

**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

**Moderate capital structure and debt protection metrics:** The company's capital structure remained moderate marked by Overall gearing of 2.76x in FY23 (FY22: 2.56x) and TOL/TNW of 3.56x in FY23 (FY22: 3.57x). Debt protection metrics were moderate marked by ISCR and DSCR of 2.10x and 1.23x respectively in FY23.

**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 79 days in FY23.



## Press Release

The operating cycle of the company stood at 82 days in FY23 due to its high inventory period. The average working capital utilization of the company remained moderate at ~74% for the past 12 months period ended July 2023.

**Thin EBITDA 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 thin at 3.31% in FY23 (FY22: 3.44%, FY21: 3.79%).

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity – Adequate**

The liquidity is expected to remain adequate in the near term given the expected cash accruals which would be able to cover the principal repayments falling in the same period. The average working capital utilization of the company remained moderate at ~74% for the past 12 months period ended July 2023. The current ratio remained adequate at 1.29x as on March 31, 2023. The company's cash and bank balance have been adequate at Rs.2.44 Crore as of March 2023.

**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 and another new showroom is coming up in Bangalore. In addition, it has a service centre in Gurugram for repairing, painting and evaluating the cars that are procured by the company.



## Press Release

### Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	206.17	253.45
EBITDA	7.09	8.38
PAT	2.24	3.06
Total Debt	42.52	54.09
Tangible Net worth	16.63	19.62
EBIDTA Margin (%)	3.44	3.31
PAT Margin (%)	1.09	1.21
Overall Gearing ratio (X)	2.56	2.76

\*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding /Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (July 12, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	68.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Dropline OD	Long Term	-	-	IVR BBB-/ Stable	-	-
3.	WCTL	Long Term	1.80	IVR BBB-/ Stable	-	-	-

Name and Contact Details of the Rating Team:



## Press Release

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### **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.

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## Press Release

### Annexure 1: Details of Facilities

Sl. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Long Term Bank Facility – Cash Credit	-	-	NA	68.00	IVR BBB-/ Stable
2	Long Term Bank Facility – WCTL	-	-	July 2025	1.80	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-BigBoy-oct23.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](http://www.infomerics.com).