



Press Release

G.D. Motors
June 05, 2024

Ratings

Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	12.80 (reduced from 12.98)	IVR B+/ Stable (IVR B Plus with Stable outlook)	Reaffirmed	Simple
Total	12.80 (INR twelve crore eighty lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the long-term rating assigned to the bank facilities of G.D. Motors (GDM) considers steady growth in the topline and net profit of the firm. The rating continues to derive comfort from established track record of operations and experienced management, strong brand recognition of Mahindra & Mahindra Limited (M&M), and moderate working capital management. However, the rating is also constrained by relatively small scale of current operations, low net worth base, inherently low profitability margins, aggressive capital structure with moderate debt coverage metrics, and intense competition and regional concentration of sales.

Rating Sensitivities

Upward Factors

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Improvement in the capital structure with improvement in the overall gearing ratio

Downward Factors:

- Withdrawal of capital by partners leading to deterioration in overall gearing ratio
- Moderation in the liquidity position with elongation in its operating cycle



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Established track record of operations and experienced management

The firm commenced its operation in 2012 and has a successful track record of operation across Assam. Both the partners, Mr. Santosh More and Mr. Abhishek More have over a decade of experience in the automobile – trading segment. Long experience of the firm partners and its established track record of operations strengthens the operational risk profile of the firm. The firm's day-to-day operations are looked after by the partners along with a team of experienced professionals.

Strong brand recognition of Mahindra & Mahindra Limited (M&M)

G.D. Motors' principal, M&M, is one of the emerging market leaders in the Indian Passenger Vehicle (PV) and Light Commercial Vehicle (LCV) segment with a market share of ~11.40% as of May 2024.

Moderate Working Capital Management

Working capital management remains moderate with an operating cycle day of 59 days in FY24 (P). The average inventory period of the firm stood at around 57 days in FY24 (P) (~53 days in FY23) owing to the trading nature of operation. Since majority of the vehicles are financed by banks/financial institution and the processing of such vehicle loans takes up some time, the average collection period of the firm remained low at around 7 days in FY2024 (P). The average creditors days stood low at around 5 days in FY24 as the entire purchase of the firm from its principal (M&M) are routed through channel finance.

Key Rating Weaknesses

Small scale of current operations

Though the topline has witnessed a moderate improvement in FY24 backed by rise in demand of commercial and passenger vehicles post lockdown period, the scale of operation of the firm continues to remain low. The total operating income stood at Rs.148.67 crore in FY24 (P). The firm has generated an absolute EBITDA of Rs. 3.82 crore in FY24 (P) (PY - Rs. 2.90



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crore). It generated a PAT of Rs.0.97 crore in FY24 (P) (PY - Rs. 0.85 crore) and GCA of Rs.1.66 crore in FY24 (P) (PY – Rs.1.47 crore).

Low net worth base

The firm's net worth continues to remain low. It stood at INR 5.55 Cr as on 31st March 2024 (P). However, it showed marginal improvement from INR 4.64 Cr as on 31st March 2023. Moreover, low net worth base restricts the firm's ability to undertake significant ventures or investments using external loans in order to prevent a highly geared capital structure.

Inherently low profitability margins

Inherent to the automobile dealership business, the operating profit margins are thin with pressure to pass on commissions and price discounts to retail customers. Further, the operating profit margins in the auto dealership business remain under pressure as the gross margins are decided by the OEMs (i.e., M&M). G.D. Motors profitability is exposed to pricing pressure from other OEMs as well. Though the EBITDA margin has improved slightly from ~2.33% in FY23 to 2.57% in FY24 (P) mainly due to rise in high margin products in the total sales of the firm, it continues to remain thin owing to the trading nature of the industry and high interest cost. The PAT margin declined marginally from 0.68% in FY23 to 0.65% in FY24 (P).

Aggressive capital structure with moderate debt coverage metrics

The firm has a leveraged capital structure marked by its high gearing of 4.16 times (PY – 4.37 times) as on March 31, 2024 (P), which was primarily due to higher closing balance of the fund-based limit as on year-end date coupled with the GECL - Term loan of Rs. 1.04 crore and its relatively low net worth base of Rs. 5.55 crore as on March 31, 2024 (P), respectively. The coverage indicators remained moderate with interest coverage of 2.12 times and DSCR of 1.39 times in FY2024.

Intense competition and regional concentration of sales

Although the firm is a sole authorised dealer for M&Ms in most of its catchment areas, its sales and profitability remain susceptible to intense competition from dealers of other OEMs in the



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regions. The dealers have to pass on additional benefits to customers to increase sales, owing to stiff competition from other manufacturers, which affects their profitability to an extent. The sales of the firm are regionally concentrated with its revenue being entirely dependent on the state of Assam.

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](#)

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

Liquidity – Adequate

The liquidity profile of the firm is expected to remain adequate in the near to medium term as the projected GCA is expected to be sufficient during FY25-27 to meet the debt repayment obligations. However, the average working capital utilisation remained at 97.08% during the last 12 months ending in April 2024, imparting low liquidity buffer. The average collection period of the firm remained low at around 7 days in FY2024, since majority of the vehicles are financed by banks/financial institution. Moreover, working capital management remains moderate with an operating cycle day of 59 days in FY24 (P).

About the Firm

Incorporated in May 2010, Assam-based, G.D. Motors is a partnership firm founded by Mr. Santosh More and Mr. Abhishek More as the Partners with equal profit-sharing ratio. The firm started its commercial operation in January 2012. The firm is an authorised dealer of Mahindra & Mahindra Limited (M&M's) and operates six showroom (sales outlets) and two workshops located across multiple locations of Assam. It deals in entire range of passenger cars, and light commercial vehicles. Further, the firm also derives income from after sales service, sale of the spare-parts coupled with income in the form of performance-based incentives and discounts from M&M's, insurance income, etc.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	60.40	124.49
EBIDTA	2.42	2.90
PAT	0.40	0.85
Total Debt	14.36	20.31
Tangible Net Worth	3.82	4.64
EBDITA Margin (%)	4.01	2.33
PAT Margin (%)	0.66	0.68
Overall Gearing Ratio (x)	3.76	4.37

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

CRISIL Ratings vide its press release dated 26th May 2023 continues to classify the firm under Issuer Not Co-operating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating(s)	Date(s) & Rating(s) assigned in 2023-24 (Apr 24, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	0.80	IVR B+/ Stable	IVR B+/ Stable	-	-
2.	Cash Credit	Long Term	9.00	IVR B+/ Stable	IVR B+/ Stable	-	-
3.	Channel Finance	Long Term	3.00	IVR B+/ Stable	IVR B+/ Stable	-	-

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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



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	December 2026	0.80	IVR B+/ Stable
Cash Credit	-	-	-	9.00	IVR B+/ Stable
Channel Finance	-	-	-	3.00	IVR B+/ Stable



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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GDMotors-jun24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/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

