



Press Release

Galaxy Automobiles Private Limited

February 28, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	293.19	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Upgraded	Simple
Proposed Long Term Bank Facilities	6.81	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Upgraded	Simple
Total	300.00	Rupees Three Hundred Crore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings (IVR) has upgraded long-term rating to IVR BBB+ with a Stable outlook for the bank loan facilities of Galaxy Automobiles Private Limited (GAPL).

The rating draws comfort from the experience of the promoters in automobile dealership business along with wide dealership network & company's established market position with long standing relationship with Original Equipment Manufacturers (OEMs) and GAPL's diversified revenue profile, improved debt protection metrics and financial risk profile during FY2022 and 10MFY23. However, these strengths are partially offset by thin profitability margins inherent to dealership business, working capital intensive nature of operations, susceptibility to intense competition with dealers of other OEMs in the passenger segment and cyclical nature of the automobile industry.

The outlook is 'Stable' on account of improvement in credit profile and improved demand of passenger vehicles by the customer's, which provides revenue visibility in the medium term.

IVR has principally relied on the standalone audited financial results of GAPL upto 31 March 2022, 10MFY23 certified results and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 1300 crore and profitability margins
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 0.70x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
The company commenced its operations in 1999 and has a successful track record of more than two decades in the existing line of business. Overall activities of GAPL are managed by three directors with Mr. Ashok Sachdev being the Chairman cum Managing Director. He has experience of more than 30 years in the automobile dealership business. He is ably supported by other two directors namely, Mr. Hans Sachdev and Mr. Harpreet Sachdev who have effective experience in automobile dealership business as well as supported by qualified and well experienced management team.
- **Established market position with long standing association with its principal-TMKPL coupled with diversified revenue profile:**
GAPL is engaged in the automobile dealership business and has long standing association with its principal Toyota Kirloskar Motors Private Limited (TMKPL) since 1999. It currently operates 5 showroom's and 6 well equipped workshops/service centers across Delhi NCR i.e., Moti Nagar, Dwarka, Shalimar Place, Chhatarpur and Lajpat Nagar, Okhla and Azadpur. It also operates 3 Toyota U- Trust (pre-owned car) outlets at Moti Nagar, Dwarka and Shalimar Place which are located within the existing showroom premises. It operates its showroom under the brand name of "Galaxy Toyota" and is a well-recognized car dealership brand across Delhi NCR. The company thus have diverse revenue profile with income coming from sale of cars, used cars, service and sale of spare parts. The company garners higher margin in the used cars and service segment when compared to new cars segment.



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- **Improved debt protection metrics and financial risk profile:**

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) improved to 1.65x in FY2022 as compared to 1.55x in FY2021, and the debt service coverage ratio (DSCR) improved to 1.16x in FY2022 as compared to 1.02x in FY2021. The tangible net worth improved to Rs. 143.45 crore in FY2022 from Rs. 121.53 crore in FY2021, overall gearing improved to 1.49x in FY2022 from 1.81x in FY2021. The total operating income (TOI) improved by ~29.87% to Rs. 708.13 crore in FY2022 from Rs. 545.27 crore in FY2021. In 10MFY23 TOI increased by 64.00% to Rs. 992.64 crore from Rs. 605.26 crore in 10MFY22.

Key Rating Weaknesses

- **Thin profitability margins 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. Operating profit margins decreased to 6.42% in FY2022 from 7.66% in FY2021, as the company increased its employee strength during the year and increase in rental cost. PAT margins also decreased to 0.98% in FY2022 from 1.07% in FY2021. GAPL also faces revenue concentration risk, as its entire revenues are solely dependent on a single principal, TMKPL.

- **Working capital intensive nature of operations:**

Inventory management is crucial for GAPL as it needs to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage. The operations of GAPL are working capital intensive given the need to maintain inventory. The average fund based working capital utilization stood moderate at ~72% for last 12 months ending 31st January 2023.

- **Intense competition and regional concentration of sales:**

The company faces competition from dealers of other original equipment manufacturers (OEMs), along with dealers from the same principal resulting in increased pressure to pass on price discounts to customers. The sales are regionally concentrated with its revenue derived from Delhi NCR region.

- **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.



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Analytical Approach: For arriving at the ratings, IVR has analysed GAPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)
[Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 66.08 crore, as on 31 March 2022. Against a current portion of long-term debt (CPLTD) of Rs 9.50 crore in FY2022, the company had a cash accrual of Rs. 15.31 crore in FY2022. The company projected to generate cash accruals of Rs. 21.28 crore in FY2023 against a CPLTD of Rs. 15.15 crore. With adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

Galaxy Automobiles Private Limited (GAPL) was incorporated on 24 February 1999 under the leadership of Mr. Ashok Sachdev and was awarded the dealership of Toyota Kirloskar Motors Private Limited (TKMPL) for New Delhi. He is ably supported by his two sons, Mr. Harpreet Sachdev and Mr. Hans Sachdev. Over the years, GAPL has grown its size by opening outlets across Delhi NCR and currently owns 5 showrooms and 6 well equipped workshops/service stations at Moti Nagar, Dwarka, Shalimar Place, Chhatarpur and Lajpat Nagar, Okhla and Azadpur. It also operates 3 (pre-owned car) outlets at Moti Nagar, Dwarka and Shalimar Place which are located within the existing showroom premises. It sells used cars under the name Toyota U- Trust Program. It operates its showroom under the brand name of "Galaxy Toyota" and is a well-recognised car dealership brand across Delhi NCR. It has a combined showroom space of 60,000 sq. ft. and workshop area exceeding 2,00,000 sq. ft.



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Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2021	31-03-2022	10MFY23
	Audited	Audited	Unaudited
Total Operating Income	545.27	708.13	992.64
EBITDA	41.77	45.47	46.51
PAT	5.82	6.92	12.06
Total Debt	204.74	212.86	208.38
Tangible Networth	121.53	143.45	155.51
EBITDA Margin (%)	7.66	6.42	4.69
PAT Margin (%)	1.07	0.98	1.21
Overall Gearing Ratio (x)	1.78	1.49	1.34

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 10 th February 2022	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	300.00	IVR BBB+/Stable (Upgraded)	IVR BBB/Stable	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Inventory Funding/eDFS	-	-	-	126.00	IVR BBB+/Stable
Cash Credit	-	-	-	89.00	IVR BBB+/Stable
Term Loan	-	-	August 2026	25.70	IVR BBB+/Stable
Term Loan	-	-	November 2023	10.43	IVR BBB+/Stable
Term Loan	-	-	December 2024	1.61	IVR BBB+/Stable
Term Loan	-	-	June 2027	6.38	IVR BBB+/Stable
GECL Term Loan	-	-	December 2025	8.14	IVR BBB+/Stable



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GECL Term Loan	-	-	May 2026	3.91	IVR BBB+/Stable
GECL Term Loan	-	-	March 2028	3.60	IVR BBB+/Stable
GECL Term Loan	-	-	May 2028	8.00	IVR BBB+/Stable
GECL Term Loan	-	-	December 2028	10.42	IVR BBB+/Stable
Proposed Long Term Facility	-	-	-	6.81	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-GalaxyAutomobiles-feb23.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 [Complexity Level of Rated Instruments/Facilities](#).