



Press Release

Kalyan Sales LLP

April 29th, 2024

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	29.50	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Simple
	Total	29.50	(Rupees Twenty-nine crore and fifty lakh Only)		

Details of facilities are in Annexure 1

Rating Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has assigned the long-term rating of IVR BB with a Stable outlook for the bank facilities of Kalyan Sales LLP.

The assigned rating takes into consideration the extensive experience of promoters, growing scale of operations along with moderate profitability and strong market position as an authorised dealership of Mahindra and Mahindra. However, these strengths are partially offset by leveraged capital structure with overall gearing ratio of 4.52x in FY23 and moderately weak debt coverage indicators, limited bargaining power with principal automobile manufacturer, vulnerability to inherent cyclicalities in automobile industry and competition from dealers of other OEMs. Being partnership, the firm also remains exposed to risk of capital withdrawals.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the standalone audited financial results of Kalyan Sales LLP upto 31 March 2023, estimated 10MFY24 results and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities

- **Upward Factors**
 - Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



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- Improvement in the capital structure with further improvement in debt protection metrics.
- **Downward Factors**
- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position or withdrawal of capital by partners.

Detailed Description of Key Rating Drivers

A. Key Rating Strengths

Extensive experience of promoters

Kalyan Sales LLP has a long experience in auto dealership business. Presently the firm is an authorised dealership of Mahindra and Mahindra's commercial vehicles and passenger vehicles covering northern Uttar Pradesh. Mr. Deepesh Goyal (Managing Partner) has vast experience of more than two decade and Mr. Shailesh Goyal has experience of more than three decades in the automobile business.

Growing scale of operations along with moderate profitability

The total operating income of the company improved significantly by ~100% and stood at Rs 168.28 crore in FY23 compared to Rs 84.29 crore in FY22, due to increase in sales volume and increase in demand. The EBITDA of the company (in absolute term) improved from Rs 2.25 crore for FY22 to Rs 6.19 crore in FY23. The PAT (in absolute term) of the company improved from Rs 0.99 crore in FY22 to Rs 2.47 crore in FY23. The GCA of the company improved from Rs 1.31 crore in FY22 to Rs 2.89 crore in FY23.

Strong market position in the authorised dealership of Mahindra and Mahindra

The firm has established strong relationship with Mahindra and Mahindra Limited continuing since 2019. Kalyan sales enjoys a healthy market share in its area of operations. Moreover, M&M has witnessed a healthy performance in current fiscal led by good demand for its key models.

B. Key Rating Weaknesses

Leveraged capital structure and moderately weak debt coverage indicators.



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The capital structure of the company stood moderate marked by TNW of Rs 4.35 crore in FY23 improving from Rs.2.00 crore due to accretion of profits to reserves in FY23. The overall gearing of the company improved from 5.05x as on March 31, 2022, to 4.52x as on March 31, 2023, on account of accretion of profits to general reserve along with high utilization of working capital bank borrowings as on balance-sheet date. The TOL/TNW improved from 9.11x in as on March 31, 2022, to 6.86x as on March 31, 2023 on account of accretion of profits to reserves in FY23.

Limited bargaining power with principal automobile manufacturer

Being primarily into auto dealership business, the firm's business model is largely in the nature of trading wherein profitability margins are inherently low. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of products is set at a particular level by the principal manufacturer thereby restricting any incremental income for the firm.

Vulnerable to inherent cyclicity in automobile industry and competition from dealers of other OEMs

The firm remains exposed to cyclical downturns in the automobile industry. Further, the automotive dealership industry is highly fragmented with intense competition from dealerships of competing OEMs. Additionally, increasing dealer outlets of other OEMs can impact growth.

Exposed to risk of capital withdrawals.

Kalyan Sales LLP is a limited liability partnership firm and any significant withdrawals from the capital account by partners could impact on its net worth and hence, the capital structure.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning Rating Outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing Period](#)



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Liquidity: Stretched

The company has stretched liquidity profile marked by limited cushion in gross cash accruals vis-a-vis its debt obligations. The company's bank limits are utilised to an extent of 81.62% for the last 12 months ended February 2024, indicating stretched utilization cushion. The current ratio of the company was 1.19x, quick ratio stood at 0.63x as on March 31, 2023. The operating cycle of the company stood at 14 days as on March 31, 2023, against 14 days as on March 31, 2022. The unencumbered cash and bank balance as on March 31, 2023, stood at Rs 1.14 crore.

About the Company

Uttar Pradesh based Kalyan Sales LLP is a limited liability partnership firm incorporated on 05.08.2015 and managed by Deepesh Goyal and Shailesh Kumar Goyal, as the partners of the firm. The firm is engaged in the business of automobile dealership of Mahindra & Mahindra as non-exclusive dealer (for passenger & commercial vehicle) along with repair, sales and other services.

Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	84.29	168.28
EBITDA	2.25	6.19
PAT	0.99	2.47
Total Debt	10.07	19.66
Tangible Net Worth	2.00	4.35
EBITDA Margin (%)	2.67	3.68
PAT Margin (%)	1.18	1.47
Overall Gearing Ratio (x)	5.05	4.52

*Classification as per Infomerics' standards (NM= Not Meaningful)



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Details of non-co-operation with any other CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating as on 29.04.2024	Date(s) & Rating(s) assigned in 2023-24.	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Fund based limits	Long Term	29.50	IVR BB/ Stable (IVR Double B with stable outlook) (Assigned)	-	-	-

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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.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Cash Credit	-	-	-	29.50	IVR BB (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-KalyanSales-apr24.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