



## Press Release

### Reliable Industries

February 14, 2025

#### Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	74.00 (reduced from 74.25)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Rating reaffirmed	<a href="#">Simple</a>
Short Term Bank Facility	0.70	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Rating reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>74.70</b> <b>(INR seventy-four crore seventy lakh only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Reliable Industries (RI) continues to drive strength from the extensive experience of partners in automobile industry and long track record of operation of the firm, dominant market position of Maruti Suzuki India Limited (MSIL) in domestic PV segment and Hero MotoCorp Limited (HMCL) in two-wheeler segment, improvement in financial performance during FY24 (refers to period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024) and 9MFY25 (refers to period 1<sup>st</sup> April 2023 to 31<sup>st</sup> December 2024), and comfortable financial risk profile. However, these rating strengths are partially constrained by the fact that RI has thin operating margin as prevalent in automobile dealership industry, intense competition and regional concentration of sales, vulnerability to inherent cyclicity in automobile industry, and partnership nature of constitution.

The long-term rating outlook remains Stable as the entity will continue to benefit from long track record of operations and the extensive experience of the partners.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Improvement in the capital structure with improvement in overall gearing ratio and/or improvement in debt protection metrics with improvement in interest coverage



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- Effective working capital management with improvement in operating cycle and liquidity

### **Downward Factors**

- Weaker than anticipated sales performance and lower than expected collections which may lead to increased funding risk
- Any substantial stretch in the operating cycle impacting the liquidity of the business

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

#### **Extensive experience of partners in automobile industry and long track record of operation of the firm**

Mr. Rajiv Sabhlok, managing partner of the firm has rich professional experience of more than 30 years in the automobile dealership industry. This apart, he is assisted by other partner, Mr. Divish Sabhlok, his son, and a team of experienced personnel. Long experience of the partners in automobile industry has led to the established position of the firm in Jharkhand. Furthermore, the firm has started its operation from 1984 and over the last four decades the firm has established its presence in Jharkhand with its seventeen showrooms, fourteen workshop along with five stock yards

#### **Dominant market position of MSIL in domestic PV segment and HMCL in two-wheeler segment**

MSIL and HMCL has sustained its leadership position in the Indian domestic PV segment and in two-wheeler segment respectively driven by the success of its various models.

#### **Improvement in financial performance during FY24 and 9MFY25**

The scale of operations of the firm continues to improve. With an increase of ~12% it achieved a topline of Rs. 480.12 Cr during FY24 as compared to Rs. 428.38 Cr during FY23 (refers to period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023) on account of increase in sales value of vehicles sold during FY24. Consequently, absolute EBITDA increased from Rs. 17.82 Cr during FY23 to Rs. 18.87 Cr during FY24 and the PAT increased from Rs. 6.18 Cr during FY23 to Rs. 6.65 Cr during FY24. However, the EBITDA margin of the firm slightly moderated from 4.16% during FY23 to 3.93% during FY24 as sales prices did not increase proportionately with the



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rise in purchase prices, also, the firm increased its promotional and marketing expenses during FY24. Similarly, PAT margin declined from 1.44% during FY23 to 1.38% during FY24 on account of increase in depreciation charges along with increase in interest expenses during FY24. The firm witnessed significant improvement during 9MFY25, generating total operating income of Rs. 374.96 crore, EBITDA of Rs. 14.89 crore, and PAT of Rs. 5.56 crore. Margins during 9MFY25 also witnessed improvement, EBITDA margin was 3.97% and PAT margin was 1.48%.

### **Comfortable financial risk profile**

The financial risk profile of the firm continues to remain comfortable with the long-term debt equity ratio improving slightly from 0.17x as on 31st March 2023 to 0.14x as on 31st March 2024 on account of repayment of term loans availed. Overall gearing though moderated slightly, continued to remain comfortable, from 1.66x as on 31st March 2023 to 1.94x as on 31st March 2024 driven higher utilisation of working capital borrowings as on 31<sup>st</sup> March 2024. Owing to similar reason, total indebtedness of the firm marked by TOL/TNW moderated from 2.14x as on 31st March 2023 to 2.34x as on 31st March 2024.

### **Key Rating Weaknesses**

#### **Thin operating margin as prevalent in automobile dealership industry**

The operating margin of the firm has been low in the past on account of the dealership industry dynamics, wherein margins on vehicles, spares, service, and accessories are mainly controlled by the principal. However, the profit margins are higher for sales of spares and service income compared to vehicle sales. The vehicle sales are the main revenue driver for the firm, which accounted for ~89 % of the net income while the remaining ~11% was contributed by spares, services, accessories, and other income over the last two years. RI's operating margin remained thin at 3.72%-3.93% over the past three fiscals till FY24.

#### **Intense competition and regional concentration of sales**

The firm faces competition from dealers of other car manufacturers, along with dealers from the same principle resulting in increased pressure to pass on price discounts to customers. The sales are regionally concentrated with their revenue derived from seven districts across Jharkhand.



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### **Vulnerability to inherent cyclical in automobile industry**

The firm remains vulnerable to cyclical downturns in the automobile industry. Further, RI's revenues like other auto dealers remains vulnerable to the regulatory changes (like tax amendments, upward migration to pollution standards) also to consumer sentiments mainly given the discretionary nature of the spend.

### **Partnership nature of constitution**

Given RI's constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement or insolvency of the partners. Moreover, the partnership nature limits RI's flexibility to tap external channels of financing.

### **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 firm has earned gross cash accrual of Rs. 9.73 crore during FY24 and is expected to earn cash accruals in the range of Rs. 10.40 -12.02 crore during FY25-27 as compared to its debt obligations in the range of Rs. 1.00 crore during the same period. Further, the average cash credit utilisation of the firm remained at ~68% during the past 12 months ended Dec 2024 indicating moderate liquidity cushion. RI's liquidity profile is expected to remain adequate in the near term with expected adequate cash accruals and buffer in undrawn working capital facilities.

### **About the firm**



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Reliable Industries (RI) was established in the year 1984 as a partnership firm lead by Mr. Rajiv Sabhlok of Dhanbad in Jharkhand. RI is engaged in automobile dealership and servicing business since inception. The firm has dealership of Maruti Suzuki India Limited, Hero MotoCorp Limited, Castrol India Limited and EPIROC Mining India Ltd, a Sweden based mining, construction and earth moving heavy equipment manufacturer. The firm has showrooms and servicing centres in seven districts of Jharkhand, with primary presence in Dhanbad and having around 17 such showrooms in total along with 14 service centres and five godowns. Currently two partners are in the business where, day to day affairs of the firm is looked after by Mr. Rajiv Sabhlok, Managing Partner, along with other partner Mr. Divish Sabhlok and a team of experienced personnel.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	428.38	480.12
EBITDA	17.82	18.87
PAT	6.18	6.65
Total Debt	50.88	68.77
Adjusted Tangible Net Worth	30.63	35.39
EBITDA Margin (%)	4.16	3.93
PAT Margin (%)	1.44	1.38
Overall Gearing Ratio (x)	1.66	1.94
Interest Coverage (x)	3.25	3.39

\* Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

India ratings has continued the ratings in the Issuer Not Cooperating category vide its press release dated 18<sup>th</sup> October 2024 due to non-submission of information by the client.

**Any other information:** Nil

**Rating History for last three years:**





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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Jan 02, 2024)	(Nov 29, 2022)	-
1.	GECL	Long Term	2.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
2.	Cash Credit	Long Term	16.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
3.	OD-EDFs	Long Term	56.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
4.	Term Loan	Long Term	-	-	-	IVR BBB/Stable	-
5.	Bank Guarantee	Short Term	0.70	IVR A3+	IVR A3+	IVR A3+	-

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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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### Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	Dec 2026	2.00	IVR BBB/ Stable
Cash Credit	-	-	-	-	16.00	IVR BBB/ Stable
OD-EDFs 1	-	-	-	-	31.00	IVR BBB/ Stable
OD-EDFs 2	-	-	-	-	25.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	-	0.70	IVR A3+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Reliable-Industries-feb25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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).