

May 31, 2024^(Revised)

Chowgule Industries Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term / Short-term – Fund-based/ Non-fund-based – Working capital facilities	75.00	75.00	[ICRA]A(Stable)/[ICRA]A1; reaffirmed
Total	75.00	75.00	

*Instrument details are provided in Annexure-I

Rationale

While assigning the ratings, ICRA has consolidated the financials of Chowgule Industries Private Limited (CIPL) and its two Group companies, Angre Port Private Limited (APPL) (Rated at [\[ICRA\]A-\(CE\)\(Stable\)](#)) and Chowgule Construction Chemicals Private Limited (CCCPL) (Rated at [\[ICRA\]BB-\(Stable\)/\[ICRA\]A4](#)), considering the extensive financial linkages over the past years including corporate guarantees, and inter-corporate deposits among the three companies.

The reaffirmation of the ratings for Chowgule Industries Private Limited (CIPL or the company) reflects its stable business operations as a leading dealer for Maruti Suzuki India Limited (MSIL) vehicles in western India. ICRA notes the improvement in CIPL's revenues in FY2023 and 9M FY2024, aided by revival in volume offtake for passenger vehicles (PVs) as the pandemic-related challenges waned. The company continues to maintain a comfortable financial profile with no external long-term debt, and strong liquidity as evidenced from cash and equivalents of Rs. 62.3 crore (consolidated) and ample buffer in the form of undrawn working capital limits of Rs. 75.0 crore as on March 31, 2024. With healthy cash flow generation, prudent working capital management and limited capex investments, CIPL has been able to maintain a debt-free balance sheet since FY2022, which is expected to continue over the near to medium term. The rating strengths are partially offset by the intense competition faced by CIPL from other dealerships, and limited bargaining power with its principal original equipment manufacturer (OEM). Regular investment requirement in dealership upgradation, in line with the OEM's policy, keeps the overall cash flows under check. Additionally, as an automotive dealership, the margin profile remains in the single-digit range, although better than most other dealerships.

The ratings also factor in CIPL's exposure to Group companies in the form of corporate guarantees, loans and advances and encumbrance of its liquid investments, and notes that any material increase in funding support to Group companies could weigh on its credit profile. Angre Port's operating performance had deteriorated in FY2024, with a 41% decline in revenues to Rs. 63.3 crore, resulting in a net loss of Rs. 15.5 crore. Angre Port had repaid its external debt in April 2024, and subsequently the corporate guarantee given by CIPL had been extinguished. The operating performance of its Group companies would have a direct impact on the principal operating entity (CIPL). Going forward, the company's ability to scale up its business, rationalise investments/support to Group companies and sustain profitability, along with judicious working capital management, remain crucial for maintaining its current credit profile.

The Stable outlook on the long-term rating factors in ICRA's expectations that CIPL would continue to maintain its operating performance and comfortable financial profile, in the absence of any large debt-funded investments or additional funding support extended to its Group companies.

Key rating drivers and their description

Credit strengths

Leading MSIL dealer in western India – CIPL is among the leading MSIL dealers in western India with presence across Goa, Pune, Sangli and Satara. The company commands a healthy market share in the regions that it operates in, leading to healthy revenues and stable margins over the years. It also deals in commercial vehicles (CVs) of VE Commercial Vehicles Limited (VECV; rated [ICRA]AA+(Stable)/A1+) and SML Isuzu Limited (SML; rated [ICRA]A+(Stable)/A1) in the Goa and Kolhapur regions.

Comfortable financial profile – CIPL's coverage indicators remain strong, with gearing of 0.2 times and interest coverage of 5.3 times in FY2024 on a consolidated basis along with 0.1 times and 15.1 times, respectively, on a standalone basis. Moreover, its operating margin is among the best in the automotive dealership industry. This, along with prudent working capital management, translated into a comfortable return indicator (RoCE) of 12.6% in FY2024. CIPL's financial profile draws comfort from a healthy liquidity position, as reflected in the healthy cash and liquid investments balance as well as buffer in the form of undrawn working capital limits as on March 31, 2024. This is expected to continue over the near to medium term, with capex outgo to be internally funded. The revenue growth momentum is expected to continue going forward on the back of increasing preference for personal mobility.

Credit challenges

Continued exposure to stressed Group companies could impact CIPL's credit profile – The company had extended financial guarantee of Rs. 141.6 crore towards two of its Group companies in FY2020 and FY2021. Over recent years, it has gradually reduced the quantum of these guarantees to Rs. 44.7 crore in FY2024. Angre Port has repaid the external loan of Rs. 75.0 crore and subsequently the corporate guarantee given by CIPL has been extinguished. Angre Port's operating performance had deteriorated in FY2024, with a 41% decline in revenues to Rs. 63.3 crore, resulting in a net loss of Rs. 15.5 crore. The management expects Angre Port's operating performance to improve in FY2025, due to changes in the cost structure, and diversifying its client base. CIPL continues to extend financial support to few of its Group companies in the form of loans and advances. While the incremental funding support to these entities is expected to be limited, nevertheless, given the sizeable exposure of CIPL to stressed Group companies, ICRA would continue to monitor developments on this front.

Intense competition from other dealerships – The automotive dealership industry is highly fragmented with intense competition from dealerships of the same principal as well as competing OEMs. Moreover, incremental investment requirement to regularly upgrade dealership outlets, in line with the principal's marketing strategy, keeps the cash flows of dealerships under pressure.

Low profitability in line with the nature of the business – CIPL's operating profit margin has historically remained in the range of 4-6%, as it is typical of the automotive dealership industry. Nevertheless, comfort is drawn from CIPL's margins being better than most of its peers in the sector. CIPL's operating margin had declined marginally to 3.8% in FY2024 (4.7% in FY2023), despite an improvement in the revenues. The decline was primarily on the back of expenses due to upgrades in its Nexa showrooms. Moreover, relatively lower financial costs on account of CIPL's debt-free status and prudent working capital management provide further comfort to its net profit margin.

Uncertainty over the split of Group companies – The Chowgule Group is undergoing a business split within the family members, resulting in the formation of two groups. As per the Memorandum of Family Settlement (MOFS) procedure underway, the split will result in Group A retaining mining, shipbuilding, material handling and salt businesses, whereas Group B will retain the automobile dealership, ship repairs, ports and chemical businesses. CIPL, Angre Port, and Chowgule Construction Chemicals Private Limited will be part of Group B. The operations and control of the Group B remains unchanged. However, ICRA will continue to monitor the developments under the MOFS agreement.

Liquidity position: Strong

The company's liquidity profile is strong, supported by unencumbered cash and liquid investments of Rs. 62.3 crore as on March 31, 2024, on a consolidated basis, along with unutilised bank lines of Rs. 75.0 crore. Given healthy accruals and the absence of any large capital expenditure as well as no long-term debt exposure at present, the company is likely to generate free cash flows that further support its liquidity profile.

Rating sensitivities

Positive factors – The ratings could be upgraded if significant revenue growth and improvement in profitability on a sustained basis, leads to improvement in the financial profile and liquidity position of CIPL. Reduction in exposure of CIPL towards its Group companies on a sustained basis, will be critical for a positive rating action.

Negative factors – Any incremental direct or indirect financial support to Group companies, or material deterioration in operating performance, which could have a bearing on CIPL's overall credit profile or reduction in interest cover below 5.0 times, on a sustained basis may trigger a rating downgrade. Further, any sustained and significant weakening of its liquidity position can also lead to a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Automobile Dealers Rating Methodology for Port Rating Methodology for Chemical Industry
Parent/Group support	ICRA has consolidated the financials of CIPL and its two Group companies. CIPL, being the leading and the flagship company among the three, is unlikely to draw any significant support from its Group companies. However, ICRA considers the likelihood of CIPL supporting its Group companies high.
Consolidation/Standalone	Consolidation: For arriving at the ratings, ICRA has consolidated the financials of CIPL and its two Group companies (as mentioned in Annexure-2).

About the company

Chowgule Industries Private Limited (CIPL) is a part of the 93-year-old, Goa-based Chowgule group of companies. CIPL was established in 1963 as a trading arm of the Chowgule Group and is currently involved in retailing cars for MSIL and CVs for VECV. CIPL has a diversified presence in West India with mainly owned showrooms in Pune, Satara, Sangli, Kolhapur (Maharashtra) and Goa. It also deals in spares as well as accessories for vehicles and provides servicing facilities to its customers. As of December 2022, CIPL had 52 outlets, including showrooms and workshops for Arena and Nexa (MSIL), True Value (pre-owned cars) and VECV (CV).

Key financial indicators (audited)

Chowgule Industries Private Limited	Consolidated		Standalone	
	FY2023	FY2024*	FY2023	FY2024*
Operating income	1,438.0	1,671.1	1,306.9	1,588.8
PAT	48.6	17.7	38.0	32.6
OPBDIT/OI	6.5%	3.9%	4.7%	3.8%
PAT/OI	3.4%	1.1%	2.9%	2.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	0.3	0.4
Total debt/OPBDIT (times)	0.9	1.6	0.4	0.6
Interest coverage (times)	7.6	5.3	14.6	15.1

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore * Provisional financials consolidated by ICRA on best effort basis.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				May 31, 2024	-	Feb 20, 2023	Jan 30, 2023	Nov 01, 2021
1 Fund based/Non-fund based – Working capital limits	Long-term/short-term	75.00	-	[ICRA]A (Stable)/[ICRA]A1	-	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1
2 Unallocated limits	Long-term/short-term	0.00	-	-	-	-	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short-term – Fund Based / Non-Fund Based – Working Capital Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/short-term – Fund Based / Non-Fund Based – Working Capital Limits	NA	9.25%	NA	75.00	[ICRA]A(Stable)/[ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach*
Angre Port Private Limited	-	Full Consolidation
Chowgule Construction Chemicals Private Limited	19%	Full Consolidation

Source: Company; *ICRA has fully consolidated the financials of Angre Port Private Limited and Chowgule Construction Chemicals Private Limited with CIPL on best effort basis, considering the extensive financial linkages over the past years including corporate guarantees, and inter-corporate deposits among the three companies

Corrigendum

Rationale dated May 31, 2024, has been corrected with revision as detailed below:

Change made in the section ‘Credit challenges’ on page no. 02.

Earlier: CIPL, Angre Ports, and Chowgule Construction Chemical Company Limited will be part of Group A. The operations and control of the Group A remains unchanged.

Revised: CIPL, Angre Port, and Chowgule Construction Chemicals Private Limited will be part of Group B. The operations and control of the Group B remains unchanged.

Change made in the section ‘Key financial indicators’ on page no. 04.

Earlier: Provisional data Consolidated by ICRA as consolidated financials were not available.

Revised: Provisional financials consolidated by ICRA on best effort basis.

Change made in the section ‘Annexure II: List of entities considered for consolidated analysis’ on page no. 06.

Earlier: Ownership for Angre Port Private Limited and Chowgule Construction Chemicals Private Limited was mentioned as 100%

Revised: Ownership for Angre Port Private Limited mentioned as ‘-’ and for Chowgule Construction Chemicals Private Limited as ‘19%’. Further, the following note has been added – ‘ICRA has fully consolidated the financials of Angre Port Private Limited and Chowgule Construction Chemicals Private Limited with CIPL on best effort basis, considering the extensive financial linkages over the past years including corporate guarantees, and inter-corporate deposits among the three companies’

Earlier Corrigendum

Change made in the section ‘Rationale’ on page no. 01.

‘While assigning the ratings, ICRA has consolidated the financials of Chowgule Industries Private Limited (CIPL) and its two Group companies, Angre Port Private Limited (APPL) (Rated at [\[ICRA\]A-\(CE\)\(Stable\)](#)) and Chowgule Construction Chemicals

Private Limited (CCCPL) (Rated at [\[ICRA\]BB-\(Stable\)/\[ICRA\]A4](#)), considering the extensive financial linkages over the past years including corporate guarantees, and inter-corporate deposits among the three companies.'

'The operating performance of its Group companies would have a direct impact on the principal operating entity (CIPL).'

'The Stable outlook on the long-term rating factors in ICRA's expectations that CIPL would continue to maintain its operating performance and comfortable financial profile, in the absence of any large debt-funded investments or additional funding support extended to its Group companies.'

Change made in the section 'Analytical approach' on page no. 03.

'ICRA has consolidated the financials of CIPL and its Group companies. CIPL, being the leading and the flagship company among the three, is unlikely to draw any significant support from its Group companies. However, ICRA considers the likelihood of CIPL supporting its Group companies high.'

'Consolidation: For arriving at the ratings, ICRA has consolidated the financials of CIPL and its two Group companies (as mentioned in Annexure-2).'

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