

September 27, 2023

Ki Mobility Solutions Private Limited: [ICRA]A-(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]A-(Stable); Assigned
Total	-	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Ki Mobility Solutions Private Limited (Ki Mobility/the company) draws comfort from its strong parentage, with TVS Mobility Private Limited (TVS Mobility/support provider¹) being a key promoter shareholder in the company. TVS Mobility is part of the T S Rajam Group, which in turn is a faction of the larger TVS Group – an established name in the domestic auto ancillary industry. Ki Mobility has strong operational and financial linkages with support provider, with its operations monitored by TVS Mobility, and the latter's representatives being part of Ki Mobility's board of directors. Further, Ki Mobility has strong financial flexibility and lender/investor comfort arising from its parentage. Also, TVS Mobility has committed to timely and adequate fund infusion, as and when required, to meet the company's operational and financial commitments. The rating also considers Ki Mobility's integrated nature of operations comprising spares distribution and services, its healthy scale of operations and supplier relationships with established auto component manufacturers. It has a diversified product profile and is present pan-India and in overseas markets like the UK, Europe, Middle East, Africa and USA.

Ki Mobility witnessed healthy sales growth of over 40% during FY2020-23 (CAGR) and reported an operating income of Rs. 1,552.1 crore in FY2023², supported by growth in the auto component aftermarket, geographical expansion and enhanced market penetration in both the spare parts and service businesses. The company reported operating losses of Rs. 79.6 crore in FY2023, impacted primarily by higher fixed costs amidst the business-related expansions, and ICRA expects the company to report net losses for full year FY2024 as well. ICRA understands that the company has reported operating profits in the last few months and the same is expected to continue going forward aided by operating leverage and sustenance of cost-optimisation measures undertaken. Nevertheless, the extent of improvement in margins, given competitive pressures, remains to be seen. Also, while coverage metrics remain weak because of the losses, in the absence of any significant capex plans, they are expected to improve going forward as accruals improve. The company's adequate liquidity, strong financial flexibility, its track record of fund raising (Rs. 690.7 crore in FY2023) and the support provider's commitment to extending timely and adequate fund infusion, as and when required, provide comfort to a large extent.

Key rating drivers and their description

Credit strengths

Strong parentage – TVS Mobility (support provider) is a key promoter shareholder in the company. TVS Mobility is part of the T S Rajam Group, which in turn is a faction of the larger TVS Group – an established name in the domestic auto ancillary industry. ICRA draws comfort from Ki Mobility's strong operational and financial linkages with the support provider. Further, Ki Mobility's operations are monitored by TVS Mobility, and the latter's representatives are part of Ki Mobility's board of directors. Ki Mobility has strong financial flexibility and lender/investor comfort arising from its parentage. Also, TVS Mobility

¹The company's board of directors has approved a restructuring scheme, by virtue of which TVS Mobility is slated to become the key promoter shareholder in the company, subject to regulatory approvals.

² According to provisional financials

has committed to timely and adequate fund infusion, as and when required, to meet the company's operational and financial commitments.

Supplier relationships with established auto component manufacturers; diversified product profile with pan-India and overseas presence – Ki Mobility has supplier relationships with established auto component manufacturers and is present pan-India and in overseas markets like the UK, Europe, Middle East, Africa and USA. The company has over 21,000 active dealers, 45 fulfilment centres and a network of over 1,000 dedicated workshops/service points. This apart, the international operations are sizeable and constituted ~43% of revenues in FY2023. Further, its product portfolio is diverse, comprising brake systems, fasteners, power train components, engine parts, fuel systems and lubricants, to name a few. The company caters to products of more than 70 auto component manufacturers including Castrol India Limited, JK Tyre & Industries Limited, Bosch Limited, Delphi Technologies, Sundram Fasteners Limited and ZF Commercial Vehicle Control Systems India Limited (erstwhile Wabco India Limited) to name a few. The company also has private label parts under the brands 'myTVS', 'MFC' and 'UCAP'.

Integrated nature of operations comprising spares distribution and services; healthy scale of operations – Ki Mobility witnessed a healthy sales growth of over 40% during FY2020 – FY2023 (CAGR) and reported an operating income of Rs. 1,552.1 crore in FY2023, supported by growth in the auto component aftermarket, geographic expansion and enhanced market penetration in both the spare parts and service businesses. The integrated nature of operations, with presence in both spares and services has also augured well for the company. While the favourable demand outlook would benefit the company, the ability to maintain growth at current levels, remains to be seen.

Credit challenges

Net losses and weak coverage metrics – The company reported operating losses of Rs. 79.6 crore in FY2023, impacted by higher fixed cost arising out of business-related expansions done in the recent period. ICRA expects the company to report net losses for full year FY2024 as well. However, ICRA understands that the company has reported operating profits in the last few months and the same is expected to continue going forward, aided by operating leverage and sustenance of cost-optimisation measures undertaken. Nevertheless, the extent of improvement in margins, given competitive pressures, remains to be seen. Also, while the coverage metrics remain weak because of the losses, in the absence of any significant capex plans, they are expected to improve going forward as accruals improve. The company's adequate liquidity, strong financial flexibility, its track record of fund raising and the support provider's commitment to extending timely and adequate fund infusion, as and when required, provide comfort to a large extent.

Working capital intensive nature of operations – The company holds relatively higher levels of inventory because of its diversified product profile and pan-India presence. The company also offers relatively higher credit periods to its customers, compared to other aftermarket distributors. This has resulted in working capital intensity of 20.8% in FY2023. While Ki Mobility has undertaken concrete steps to reduce the same, the extent of improvement remains to be seen.

Exposed to competitive risks – Akin to other players in the auto component aftermarket business, the company witnesses intense competition from original equipment spares (OES), other organised and unorganised distributors/dealers/workshops and imports, which restricts its pricing flexibility and margins. However, its wide distribution network, brand equity and higher value addition compared to traditional aftermarket distributors, mitigate the risk to an extent. Further, the company has undertaken several cost-optimisation initiatives in its supply chain and distribution network to mitigate margin pressures that could arise because of competition to an extent.

Liquidity position: Adequate

Ki Mobility's liquidity is adequate, with free cash and bank balances of Rs. 64.9 crore and undrawn working capital lines of ~Rs. 90.0 crore as on June 30, 2023. Ki Mobility's average working capital utilisation stood at 70.0% against the sanctioned limit for the last 12 months ended in June 2023. TVS Mobility has committed to timely and adequate fund infusion, as and when required, to meet the company's operational and financial commitments. Against these sources of cash, the company has no

principal repayment for Q2-Q4 FY2024, Rs. 16.7 crore each for FY2025 and FY2026 on its existing loans. Further, it has moderate capex plans of ~Rs. 70.0 crore in FY2024 and Rs. 50.0 crore each in FY2025 and FY2026.

Rating sensitivities

Positive factors – Sustained and significant improvement in the company's earnings and debt indicators resulting in improvement of credit metrics could result in an upgrade. Further, improvement in the credit profile of the support provider (TVS Mobility) or strengthening of Ki Mobility's operational/ financial linkages with the support provider could result in an upgrade. Specific metric that could lead to an upgrade include interest coverage greater than 3.0 times on a sustained basis.

Negative factors – Negative pressure on the rating could arise in case of company's inability to reduce cash losses on a sustained basis, or sizeable debt funded capex or stretch in working capital cycle leading to weakening of liquidity and credit profile. Further, any deterioration in the credit profile of the support provider (TVS Mobility) or weakening of Ki Mobility's operational/financial linkages with the support provider, could also result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	TVS Mobility Private Limited; TVS Mobility has committed to provide timely and adequate fund infusion, as and when required, to meet the company's operational and financial commitments.
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. Details of consolidation provided in Annexure-II.

About the company

Ki Mobility is an integrated aftermarket player engaged in both distribution of automotive spare parts and accessories and servicing. The spare parts business is present in both India (pan-India) and overseas markets (the UK, Europe, Middle East, Africa and USA), while the service operations are predominantly done pan-India for 2W, passenger vehicles and commercial vehicles. Ki Mobility has over 21,000 active dealers, 45 fulfilment centres and a network of over 1,000 dedicated workshops /service points. Spare parts distribution constituted ~78% of the revenues in FY2023, while services constituted the remaining. TVS Mobility is a key promoter shareholder in the company and is part of the T S Rajam Group, which in turn is a faction of the larger TVS Group – an established name in the domestic auto ancillary industry. The company also has private equity (PE) investors including Exor Co Invest Fund I ILP and Castrol India among its shareholders. It has raised Rs. 690.7 crore equity in FY2023 from PEs.

Key financial indicators

Consolidated	FY2022 (Audited)	FY2023 (Unaudited)
Operating income (OI)	1,207.6	1,552.1
PAT	-87.7	-164.9
OPBDIT/OI %	0.2%	-5.1%
PAT/OI %	-7.3%	-10.6%
Total outside liabilities/Tangible net worth (times)	2.6	1.0
Total debt/OPBDIT (times)	176.6	-4.6
Interest coverage (times)	0.1	-1.8

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore) as on Mar 31, 2023	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Sep 27, 2023	-	-	-
1 Issuer Rating	Long-term	-	-	[ICRA]A-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	NA

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	Issuer Rating	NA	NA	NA	-	[ICRA]A-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Direct Subsidiaries		
Focuz Parts Mart Private Limited	100.00%	Full Consolidation
Focuz Automobile Services Private Limited	100.00%	Full Consolidation
Storeji Private Limited	100.00%	Full Consolidation
Hindustan Bike Rescue Private Limited	100.00%	Full Consolidation
Scuderia Car Parts Limited	100.00%	Full Consolidation
Northerly Automotive Solutions Private Limited	100.00%	Full Consolidation
Carcrew Technology Private limited	99.44%	Full Consolidation
MFC Auto Parts Limited (Formerly known as Mahindra First Choice)	100.00%	Full Consolidation
Auto Digitech Private Limited	100.00%	Full Consolidation
Nesh Technologies Private Limited	60.00%	Full Consolidation
TVS Europe Distribution Limited*	20.00%	Full Consolidation
Step down subsidiaries		
My TVS Accessories Limited	100.00%	Full Consolidation
UC Africa (Pty) Ltd	100.00%	Full Consolidation
Epitomy Solutions Limited	100.00%	Full Consolidation
Scuderia Tuning Parts Ltd	100.00%	Full Consolidation
Diplomat Lease and Hire Ltd	100.00%	Full Consolidation
Universal Components UK Limited	95.00%	Full Consolidation
Kellett (UK) Limited	100.00%	Full Consolidation
TVS-EPD Inc	100.00%	Full Consolidation
Wrea Hurst Parts Distribution Limited	100.00%	Full Consolidation
TVS Auto Electrics Limited	100.00%	Full Consolidation
ACB Auto Electrics Limited	100.00%	Full Consolidation

Source: Company; *Ki Mobility has fully consolidated this entity by virtue of its shareholder arrangements and its control over the entity, in accordance with Ind AS 110.

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

K Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

Kishore Kumar A
+91 44 4596 4312
kishore.a@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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