April 05, 2024

Jasper Industries Private Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Working capital	180.40	223.40	[ICRA]BB+ (Stable); reaffirmed and assigned for enhanced amount
Long-term fund-based – Term loan	70.32	86.13	[ICRA]BB+ (Stable); reaffirmed and assigned for enhanced amount
Long-term/ short-term – Unallocated Limits	66.53	107.72	[ICRA]BB+(Stable)/[ICRA]A4+; reaffirmed and assigned for enhanced amount
Total	**317.25**	**417.25**	

**Instrument details are provided in Annexure- I*

Rationale

The ratings consider Jasper Industries Private Limited's (JIPL) established operational track record as an authorised dealer of commercial vehicles (CV) and passenger vehicles (PV) of Tata Motors Limited (TML) with more than 80 touch points and the strong association of the Jasper Group with the Tata Group of companies. The ratings also consider the strong market position of JIPL in both PV and CV segments in Andhra Pradesh and Telangana. The company recorded a healthy revenue growth of ~46% in FY2023 on the back of healthy demand for TML's PVs and recovery in demand for CVs. In 9M FY2024, sales volume increased by 59.1% in the PV segment on the back of healthy demand aided by addition of new showrooms (six showrooms added) and workshops (two workshops added) in FY2023 and new product launches by TML. However, the CV sales volumes declined by 12.3% in 11M FY2024 owing to subdued demand due to slow down in infrastructure activities during state elections in Telangana. TML's market leadership position in CVs and healthy demand for its PVs augur well for JIPL's growth, going forward.

The ratings are, however, constrained by JIPL's moderate financial profile characterised by leveraged capital structure and modest debt coverage indicators as indicated by total debt/OPBIDTA of 9.5 times and DSCR of 0.9 times in FY2023. The ratings also factor in the company's thin profit margins, inherent to the dealership nature of the business, as new vehicle sales, which dominate the revenue mix, command lower margins. The ratings consider intense competition from dealers of TML and other original equipment manufacturers (OEMs) in the region. The ratings also consider high geographical concentration risk as revenues are generated only from Andhra Pradesh and Telangana. Further, the ratings consider the company's stretched liquidity profile, given the limited buffer in working capital limits and modest free cash.

The Stable outlook on the rating reflects ICRA's opinion that JIPL will continue to record healthy revenue growth, given its established position as a dealer of TML's CVs and PVs in Andhra Pradesh and Telangana and aided by addition of new outlets, which would support growth in its earnings.

Key rating drivers and their description

Credit strengths

Established track record as TML dealer; recovery in demand expected to support revenue growth – JIPL is an authorised dealer of TML's CVs and PVs with a wide sales network across Andhra Pradesh and Telangana. JIPL was one of the first few dealers appointed by TML in 1954. Further, TML is the largest CV manufacturer in India with a ~40% market share in FY2023; and its leadership position is expected to support JIPL's revenues. The company has a wide sales network with more than 80 touch points across all the districts of Telangana and three districts of Andhra Pradesh. Healthy demand for both PV and CVs is expected to support the company's revenues in the near term. The company is expected to witness a healthy revenue growth of 10-15% in FY2025, driven by healthy demand for TML's PV segment..

Strong relationship with Tata Group – JIPL has enjoyed an established relationship with the Tata Group of companies since its establishment. JIPL undertakes automotive body-building activities for TML's chassis requirements at its Uttar Pradesh plant through its Group company, Adithya Automotive Applications Private Limited (AAA).

Credit challenges

Moderate financial profile – The company's total debt increased to Rs. 420.8 crore as on January 31, 2024 and Rs. 306.0 crore as on March 31, 2023, from Rs. 240.9 crore as on March 31, 2022. In 10M FY2024, the company has availed Rs. 29.0 crore of term loans availed to fund capex requirements. High debt levels and low margins resulted in leveraged capital structure and modest coverage indicators and reflected in TD/TNW of of 3-3.5 times, TD/OPBIDTA of 7.5–9.5 times and interest coverage of 1.3–1.6 times in FY2024.

Thin margins and low bargaining power inherent to dealership; revenue concentration on single principal – The dealership business is characterised by thin margins and low bargaining power of the dealer, as margins on vehicles are determined by the principal. Further, intense competition in the auto dealership business results in low margins. JIPL's operating margin decreased to 2.3% in FY2023 from 3.1% in FY2022 owing to higher proportion of vehicle sales and high fixed overheads. The company's operating margins are expected to remain thin at 2.5–3.0% in FY2024 and FY2025. JIPL faces revenue concentration as its revenues are dependent on a single principal, TML, for both CVs and PVs. Moreover, JIPL's revenues and earnings are vulnerable to the underlying cyclicality inherent in the CV industry.

Intense competition in the industry – Although the company is an authorised dealer of TML, its sales and profitability remain susceptible to intense competition from dealers of TML as well as other OEMs in the region. The dealers have to pass on additional benefits to customers to increase sales owing to intense competition, which impacts their profitability to an extent.

Liquidity position: Stretched

The company's liquidity position is stretched, as reflected in the limited buffer available in the working capital. While the company had free cash and bank balances of ~Rs. 30.0 crore as on December 31, 2023, it has high repayment obligations of Rs. 18-22.0 in the next 12 months and is expected to incur capex of Rs. 10-15.0 crore in FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings, if the company demonstrates a healthy revenue growth while maintaining its profitability, leading to improvement in its debt protection metrics and liquidity position.

Negative factors – The ratings may be downgraded, if any further decline in the scale of operations or lower profitability impacts its financial performance or liquidity position. A weakening of interest coverage below 1.2 times on a sustained basis could also exert pressure on the company's ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology -Automobile Dealerships
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

JIPL was set up in 1955 by Mr. Badiga Seshagiri Rao as a partnership firm and was converted into a private limited company in 1987. It was among the earliest dealers appointed by TML in 1955. The company started with its first outlet for TML's CVs at Vijayawada in 1955. At present, the company has more than 80 touch points across all districts of Telangana and three districts of Andhra Pradesh, where it is the exclusive dealer of TML's CVs. Jasper Automobiles Private Limited (100% subsidiary of JIPL), was involved in the sale of PVs in three districts of Andhra Pradesh and was merged with JIPL with effect from April 1, 2018. At present, JIPL sells both PVs and CVs. The Jasper Group manufactures automotive applications (primarily body building) for TML through Adithya Automotive Applications Private Ltd.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	1080.8	1576.1
PAT	5.1	7.9
OPBDIT/OI	3.1%	2.3%
PAT/OI	0.5%	0.5%
Total outside liabilities/Tangible net worth (times)	2.0	2.7
Total debt/OPBDIT (times)	7.1	9.5
Interest coverage (times)	1.4	1.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of December 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					Apr 05, 2024	-	Jan 31, 2023	Oct 08, 2021
1	**Working Capital**	Long Term	223.40	-	**[ICRA]BB+ (Stable)**	-	**[ICRA]BB+ (Stable)**	**[ICRA]BB+ (Stable)**
2	**Term Loan**	Long Term	86.13	86.13	**[ICRA]BB+ (Stable)**	-	**[ICRA]BB+ (Stable)**	**[ICRA]BB+ (Stable)**
3	**Unallocated Limits**	Long Term/	107.72	-	**[ICRA]BB+ (Stable)/ [ICRA]A4+**	-	**[ICRA]BB+ (Stable)/ [ICRA]A4+**	**[ICRA]BB+ (Stable)/ [ICRA]A4+**

	Short Term

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Working capital	Simple
Long-term fund-based – Term loan	Simple
Long-term/ short-term – Unallocated Limits	Not Applicable

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	**Working Capital**	NA	NA	NA	223.40	[ICRA]BB+ (Stable)
NA	**Term Loan**	FY2018	NA	FY2033	86.13	[ICRA]BB+ (Stable)
NA	**Unallocated Limits**	NA	NA	NA	107.72	[ICRA]BB+ (Stable)/ [ICRA]A4+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 12 44545300
shamsherd@icraindia.com

Srikumar K
+91 44 45964318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 45474829
nithya.debbadi@icraindia.com

Etikala Ravi Teja
+91 40 45474829
etikala.teja@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

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches