

September 30, 2024

## Jayabheri Automotives Private Limited: Long-term rating downgraded to [ICRA]BB- (Stable); short-term rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term- Fund Based	149.50	149.50	[ICRA]BB- (Stable); downgraded from [ICRA]BB (Stable)
Long-term – Fund based- Term Loan	59.16	40.33	[ICRA]BB- (Stable); downgraded from [ICRA]BB (Stable)
Short Term- Non-Fund Based	1.05	1.05	[ICRA]A4; Reaffirmed
Long Term/Short Term - Unallocated	0.29	19.12	[ICRA]BB- (Stable)/[ICRA]A4; Long-term rating downgraded from [ICRA]BB (Stable), short term rating reaffirmed
<b>Total</b>	<b>210.00</b>	<b>210.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating action considers Jayabheri Automotives Private Limited's (JAPL) weaker-than-expected performance in FY2024, which is expected to sustain in the near term. The company's revenue grew by 20.5% in FY2024, but its operating margin declined to 1.9% from 3.1% in FY2023 owing to high discounts and fixed costs (such as employee expenses and rentals) incurred towards two new showrooms launched during the year, while the revenues of the new showrooms ramped up gradually. Moreover, higher-than-anticipated capex and increased inventory holding resulted in higher debt levels and weaker coverage metrics. Timely ramp-up of the new showrooms and moderation in inventory holding remain crucial for improvement in debt metrics. ICRA expects the company's debt metrics to remain under pressure in the near term, despite a marginal improvement in margins, owing to elevated debt levels, given the capex plans and high inventory holding. The ratings are also constrained by the low profit margin inherent to the dealership nature of the business and intense competition from MSIL's dealers and other original equipment manufacturers (OEMs).

The ratings, however, draw comfort from the company's established position as a Maruti Suzuki India Limited (MSIL) dealer in Hyderabad, Visakhapatnam and Vizianagaram markets. It has a wide network with 31 sales outlets across its operative markets. The ratings also consider the continued market leadership of MSIL as the largest domestic passenger vehicle (PV) manufacturer in India.

The Stable outlook on the [ICRA]BB- rating reflects ICRA's opinion that JAPL will record a healthy growth in revenues with improved earnings, benefiting from its established presence as an MSIL dealer and the strong market position of MSIL.

### Key rating drivers and their description

#### Credit strengths

**Established track record as MSIL dealer** – JAPL is a part of the Jayabheri Group of Companies with presence in automobile dealership, real estate, and film production. JAPL is an authorised dealer of passenger cars for MSIL and has a wide network of 30 sales outlets, six workshops and two True Value facilities in Hyderabad, Visakhapatnam and Vizianagaram markets.

**Dominant market position of MSIL in domestic passenger vehicle market** – MSIL has sustained its leadership position in the Indian domestic PV segment, with its market share improving over the years, driven by the success of its new models and healthy performance of its existing models. MSIL’s market share in the PV segment in FY2024 stood at ~41.7%, which makes MSIL a market leader in the PV segment.

### Credit challenges

**Moderate financial profile** – The company’s financial profile moderated in FY2024 owing to a decline in margins and increased debt levels. Higher-than-estimated capex and high inventory holding on account of moderation in demand growth amid steady supply resulted in increase of total debt to Rs. 218.5 crore as on March 31, 2024 against Rs. 137.9 crore as on March 31, 2023. Moreover, higher fixed costs towards new showrooms along with discounts offered on new vehicles resulted in contraction in the company’s operating margin to 1.9% in FY2024 from 3.1% in FY2023. Lower margins and elevated debt levels affected the company’s debt metrics with the interest coverage moderating to 1.0 times in FY2024 from 2.3 times in FY2023. The gearing rose to 4.4 times as on March 31, 2024 from 3.0 times as on March 31, 2023. Timely ramp-up of new showrooms and moderation in inventory holding remain key monitorables. ICRA expects the company’s operating margin to improve marginally, however, its debt metrics are expected to remain subdued, given the high inventory holding and on-going debt-funded capex plans.

**Low profit margins inherent to the auto dealership business and exposure to high competition** – Inherent to the trading nature of automobile dealership business, the company’s operating profit margin has been thin as low-margin vehicle sales dominate the revenue mix. Intense competition from the dealers of MSIL and other OEMs also exerts pressure on JAPL’s sales volumes and margins.

### Liquidity position: Stretched

The company’s liquidity position is stretched. The company had cash and bank balance of Rs. 13.1 crore as on March 31, 2024, while buffer against drawing power remains negligible. The company has repayment obligations of Rs.10-12 crore and capex plans of Rs. 12.0-13.0 crore in FY2025, which would be funded through a mix of term loans and internal accruals.

### Rating sensitivities

**Positive factors** – ICRA could upgrade JAPL’s ratings if it demonstrates a healthy growth in revenues and liquidity and recovery in profit margins on a sustained basis, leading to an improvement in debt metrics.

**Negative factors** – Pressure on JAPL’s ratings could arise if any decline in revenues or further pressure on the profit margins impacts the company’s credit metrics. A specific credit metric includes DSCR below 1.1 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Automobile Dealers</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of JAPL.

## About the company

Jayabheri Automotives Private Limited (JAPL) was incorporated in 2011 and is a part of the Jayabheri Group of Companies, having presence in real estate and film production. JAPL is an authorised dealer of passenger cars for MSIL in Vizianagaram, Hyderabad and Visakhapatnam. The company is promoted by Mr. D. Kishore and M. Murali Mohan. The company has 31 showrooms/sales points and four workshops across Telangana and Andhra Pradesh.

## Key financial indicators

JAPL	FY2023	FY2024*
Operating income	670.6	808.3
PAT	8.4	4.8
OPBDIT/OI	3.1%	1.9%
PAT/OI	1.3%	0.6%
Total outside liabilities/Tangible net worth (times)	3.0	4.4
Total debt/OPBDIT (times)	6.7	14.4
Interest coverage (times)	2.3	1.0

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:** CRISIL had moved the ratings assigned to the bank facilities of Jayabheri Automotives Private Limited to CRISIL B-/Stable ISSUER NOT COOPERATING on April 26, 2017. The rating continues to remain Issuer Not Cooperating as per the release dated July 15, 2024.

**Any other information: None**

## Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount Rated (Rs Crore)	September 30, 2024	Date	FY2024		FY2023		FY2022		
					Rating	Date	Rating	Date	Rating	Date	
Fund based-Cash Credit	Long Term	149.50	[ICRA]BB-(Stable)	03-Aug-23	[ICRA]BB (Stable)	30-Jun-23	[ICRA]BB (Stable)	-	-	Mar 10, 2022	[ICRA]BB (Stable)
Term Loan	Long Term	40.33	[ICRA]BB-(Stable)	03-Aug-23	[ICRA]BB (Stable)	30-Jun-23	[ICRA]BB (Stable)	-	-	Mar 10, 2022	[ICRA]BB (Stable)
Bank Guarantee	Short Term	1.05	[ICRA]A4 (Stable)	03-Aug-23	[ICRA]A4	30-Jun-23	[ICRA]A4	-	-	Mar 10, 2022	[ICRA]A4
Unallocated	Long Term/Short Term	19.12	[ICRA]BB-(Stable) / [ICRA] A4	03-Aug-23	[ICRA]BB (Stable) / [ICRA]A4	30-Jun-23	[ICRA]BB (Stable) / [ICRA]A4	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long term-Fund based-Cash Credit	Simple
Short Term- Non-Fund Based	Very Simple
Long-term/ Short -term – Unallocated	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	Fund based-CC	NA	NA	NA	149.50	[ICRA]BB- (Stable)
NA	Term Loan	FY2019	NA	FY2028	40.33	[ICRA]BB- (Stable)
NA	Bank Guarantee	NA	NA	NA	1.05	[ICRA]A4
NA	Unallocated	NA	NA	NA	19.12	[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**

+91 124 4545328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar K**

+91 44 4596 4318

[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**

+91 40 4547 4829

[nithya.debbadi@icraindia.com](mailto:nithya.debbadi@icraindia.com)

**Vishal Balabhadruni**

+91 40 4547 4829

[ishal.balabhadruni@icraindia.com](mailto:ishal.balabhadruni@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto: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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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