

February 27, 2025

Jaika Automobiles Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based – Cash credit	24.00	49.50	[ICRA]BB (Stable); rating reaffirmed and assigned for enhanced amount
Long term – Fund based – Term loan	0.00	12.78	[ICRA]BB (Stable); assigned
Total	24.00	62.28	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the rating of Jaika Automobiles Private Limited (JAPL) considers the company's established position as a leading automobile dealer of Hyundai Motors India Ltd (HMIL) in Chhattisgarh. The rating also derives comfort from the extensive experience of the promoter family in the auto dealership business and the reputed brand presence of the Jaika Group as an automotive dealer in Chhattisgarh and Maharashtra.

The rating is, however, constrained by JAPL's moderate scale of operations and its thin profit margin, which is typical of the auto dealership business due to limited bargaining power with original equipment manufacturers (OEMs) as well as the intensely competitive nature of the industry. The revenues and profit margins additionally remain susceptible to the demand cyclicity in the automobile sector. JAPL's financial profile is also subdued due to high debt levels, leading to moderate coverage metrics with interest cover of 2.1 times as on March 31, 2024 and total external debt vis-a-vis operating profit of 4.1 times as on March 31, 2024. Moreover, the rating also factors in the company's exposure to other Group entities in the form of corporate guarantees (Rs. 152.9 crore as on March 31, 2024).

The Stable outlook indicates that JAPL is expected to benefit from the established position of its dealership and its principal, HMIL, coupled with a steady demand outlook in the passenger vehicle segment.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in the auto dealership business – JAPL is a part of the Jaika Group, which is promoted by the Kale family. The Group operates multiple dealerships and segments for OEMs such as Tata, Kia, Fiat and Hyundai across Maharashtra and Chhattisgarh. The promoters have experience of over three decades in the automobile dealership business in Chhattisgarh and Maharashtra.

Established market position as a leading dealer of HMIL in Chhattisgarh – JAPL is among the leading dealers of HMIL in Chhattisgarh and has a diversified presence with 10 sales-service-spares (3S) outlets, one service-spares (2S) and one sale (used cars) outlet across various districts. Further, it leverages HMIL's established presence and brand recall in the domestic auto market to push its sales.

Credit challenges

Modest scale of operations, moderate financial profile – JAPL had a modest scale of operations with revenues of Rs. 343.2 crore in FY2024. Its operating profit margin (OPM) also remained thin at 3.1% in FY2024. This, coupled with high reliance on

debt, translated into a subdued financial profile, with interest cover of 2.1 times in FY2024 and total external debt vis-à-vis operating profit of 4.1 times as on March 31, 2024.

Corporate guarantees extended to Group companies - JAPL has provided corporate guarantees and collateral securities to its Group companies to the tune of Rs. 284.1 crore, of which corporate guarantees stood at Rs. 152.9 crore as on March 31, 2024. Any significant increase in exposure towards total guarantees extended to Group companies may exert negative pressure on the ratings.

Thin profit margins as prevalent in automobile dealership industry - The dealership business is characterised by thin margins due to the dealer's low bargaining power as margins on vehicles are determined by the principal. The inherently low-value addition and intense competition in the auto dealership business resulted in low operating margins for the company. JAPL's operating margins remained at 3.1-3.3% in the last five years and are expected to remain in the same range going forward.

Vulnerable to inherent cyclical in automobile industry and competition from dealers of other OEMs - The company remains exposed to cyclical downturns in the automobile industry. Further, the automotive dealership industry is highly fragmented with intense competition from dealerships of competing OEMs. Additionally, increasing dealer outlets of other OEMs can impact growth.

Liquidity position: Stretched

JAPL's liquidity is stretched due to the high working capital requirements and modest cash accruals. The company has a total sanctioned fund-based limit of Rs. 47.5 crore, with an average utilisation of 80% over the 12-month period ended in December 2024. JAPL's debt repayment obligations are ~Rs. 2.4 crore in FY2025 and Rs. 0.8 crore in FY2026. The company had a free cash balance of ~Rs. 3.9 crore as on December 31, 2024. There are no major capex plans.

Rating sensitivities

Positive factors – ICRA could upgrade JAPL's rating if it demonstrates healthy and sustained growth in its overall scale of operations and profitability, leading to a strengthened net worth and liquidity position. Concurrently, the company's ability to lower its reliance on external borrowings and maintain interest coverage above 2.4 times on a sustained basis, along with an overall material decline in exposure towards corporate guarantees extended to its Group companies, shall trigger an upward rating revision.

Negative factors – Pressure on JAPL's rating could arise due to a notable decline in revenues and/or profitability, or deterioration in the working capital cycle impacting its liquidity and overall financial profile. Significant investment in any of its Group entities and/or any material increase in exposure towards corporate guarantees extended to Group companies could also exert pressure on the rating. Weakening in total external debt vis-à-vis operating profit to above 4.0 times on a sustained basis shall trigger a downward rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1960, JAPL is an authorised dealer for HMIL's entire range of passenger vehicles. Based in Raipur (Chhattisgarh), JAFPL has 10 3S outlets, one 2S and one sale (used cars) outlet across the state. Four of the 3S outlets also sell used cars. JAPL is headquartered in Nagpur (Maharashtra).

Key financial indicators (audited)

JAPL Standalone	FY2023	FY2024
Operating income	289.8	343.2
PAT	2.6	2.8
OPBDIT/OI	3.2%	3.1%
PAT/OI	0.9%	0.8%
Total outside liabilities/Tangible net worth (times)	1.9	1.6
Total debt/OPBDIT (times)	6.1	4.8
Interest coverage (times)	2.4	2.1

Source: Company, ICRA Research; 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

Rating Agency	Ratings	Date
CRISIL	CRISIL B (Stable); ISSUER NOT COOPERATING; continued as Issuer Not Cooperating category	July 12, 2024

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Feb 27, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	49.50	[ICRA]BB (Stable)	03-NOV-2023	[ICRA]BB (Stable)	11-NOV-2022	[ICRA]BB (Stable)	18-AUG-2021	[ICRA]BB (Stable)
Long term-term loan-fund based	Long Term	12.78	[ICRA]BB (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based working capital facilities	Simple
Long Term – Fund-based – Term loan	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 working capital facilities	NA	NA	NA	49.50	[ICRA]BB (Stable)
NA	Fund Based – Term Loan	NA	~11.4%	NA	12.78	[ICRA]BB (Stable)

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

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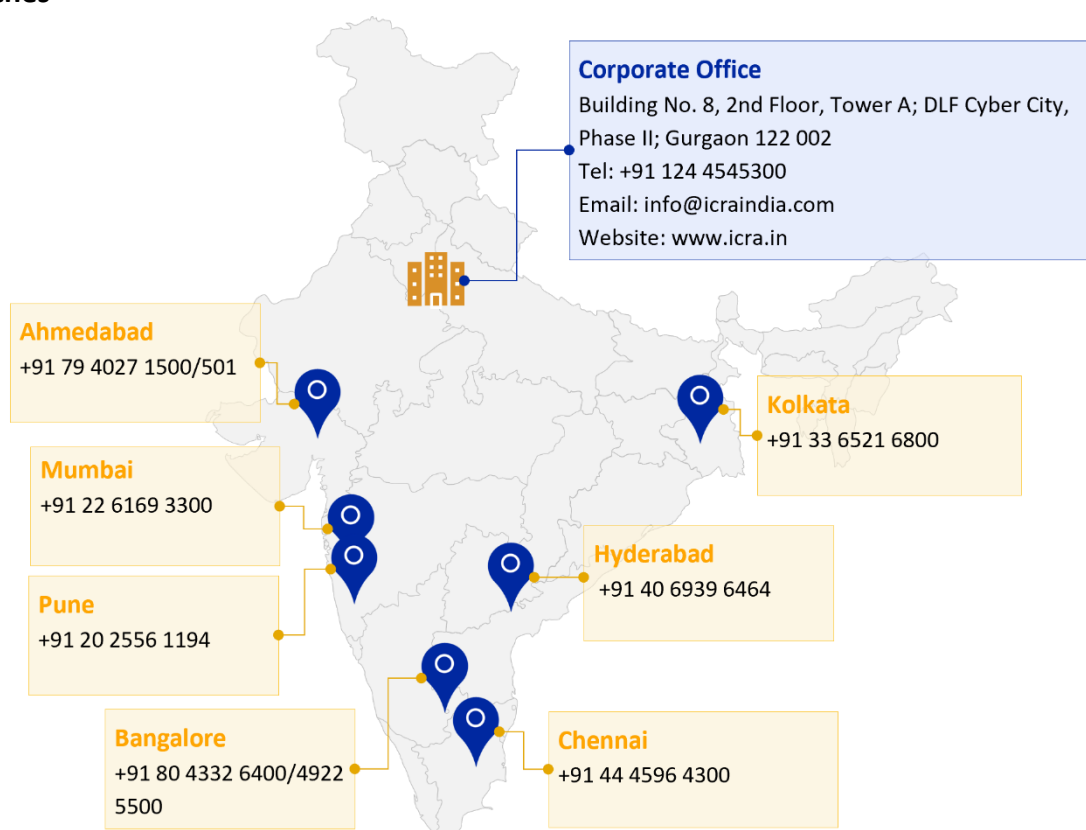
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