March 27, 2025

Jubilant Motorworks Private Limited: Ratings downgraded to [ICRA]BBB+/ [ICRA]A2 and outlook revised to Negative from Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based limits (Cash Credit/ Overdraft limits)	104.50	137.50	[ICRA]BBB+; downgraded from [ICRA]A-(Stable); outlook revised to Negative from Stable; assigned for enhanced limits
Short-term fund-based limits (Inventory funding)	398.10	474.00	[ICRA]A2; downgraded from [ICRA]A2+; assigned for enhanced limits
Short-term non-fund-based limits (Bank guarantee)	38.50	40.00	[ICRA]A2; downgraded from [ICRA]A2+; and assigned for enhanced limits
Long-term fund-based term loan	-	35.00	[ICRA]BBB+(Negative); assigned
Long-term / Short-term - Unallocated	-	6.00	[ICRA]BBB+(Negative)/ [ICRA]A2; assigned
Total	**541.10**	**692.50**	

**Instrument details are provided in Annexure I*

Rationale

The rating downgrade and revision in outlook on the long-term rating to Negative reflect significant weakening and continued pressure on the credit profile of Jubilant Motorworks Private Limited (JMPL), amid weakened profits and high debt levels.

The company's performance was adversely impacted in FY2024 amid a slower-than-expected ramp-up of new showrooms and slowdown in demand, necessitating increased discounts to offload the inventory. This weakened the operating profit margins and increased reliance on working capital borrowings.

JMPL had also undertaken a debt-funded investment of Rs. 206 crore in March 2024 to purchase a 2.03% stake in JSW MG Motors India Private Limited. This has additionally added to the interest burden, exacerbating the net losses. While management has taken steps to improve operating profits, including shutdown of loss-making stores, rationalisation of other overheads, partnering with new OEMs, among others, profitable ramp-up in sales is yet to be seen and would be a key monitorable. The company faces intense competition from various other dealerships of other OEMs, which could further impact the earnings and profitability of the company.

The ratings, however, factor in the adequate liquidity position of the company, supported unutilised working capital limits and available undrawn term loans as on January 31, 2025, as well as its strong parentage, with its entire shareholding held by the Jubilant Bhartia Group (JBG/the Group). Till March 28, 2022, JMPL was a 100% subsidiary of Jubilant Consumers Private Limited (JCPL). However, JCPL has since sold off its stake in the business to its promoters, the Bhartia family-owned trusts. Nonetheless, given the continuation of financial support (including corporate guarantees extended by JCPL to JMPL for all the latter's working capital facilities as well as intercorporate loans in the past), ICRA expects JCPL to continue extending the need-based financial support to JMPL.

The ratings also factor in the established presence of JMPL in the automobile dealership industry, given its association with reputed principals like Audi and MG Motor (MG) in the PV segment. JMPL shares meaningful market shares for both original equipment manufacturers (OEMs). Moreover, the company has forayed into the dealership of Mahindra & Mahindra in FY2025, which is expected to support the company's revenue and profits in the medium to long term.

Key rating drivers and their description

Credit strengths

Part of JBG with demonstrated track record of receiving financial support – As part of the JBG, which has an extensive presence across diverse industries, JMPL benefits from the vast experience of its promoters and management. In FY2022, following a restructuring exercise, JMPL's shareholding (earlier held by JCPL) was directly held by the Shyam Sunder Bhartia Family Trust and Hari Shankar Bhartia Family Trust. Nonetheless, JCPL continues to extend corporate guarantees to support JMPL and its subsidiaries. It has also extended inter-corporate deposits and optionally convertible debentures to JMPL. As on December 31, 2024, outstanding ICLs from JCPL stood at Rs. 37.1 crore to partly support JMPL's funding requirements. JCPL has also extended corporate guarantees for the entire amount of working capital facilities availed by JMPL. ICRA expects need-based support from JCPL to continue for JMPL, supporting its credit profile. Further, being part of JBG, JMPL enjoys strong financial flexibility to negotiate favourable terms with lenders.

Established market position with significant share of OEM business – The Group entered the auto dealership business in 2006 (under Jubilant Enpro Private Limited). Over the past decade, it has established meaningful market share for Audi and MG, its key principals, particularly in several southern and western Indian markets. The company's business profile is also augmented by its longstanding relationship with these OEMs. The Group enjoys significant share of business from its key principals. Moreover, in the last three years, the company has entered in new auto dealership each year with other reputed OEMs such as Ather (e-2Ws) in FY2023, Nissan in FY2024 and Mahindra & Mahindra in FY2025. The ramp-up in operations for these businesses is expected to support the Group's growth in revenues in the medium term.

Adequate liquidity position – JMPL's liquidity position is expected to remain adequate. The company has sanctioned inventory funding lines of Rs. 474 and cash credit facility of Rs. 137.5 with undrawn lines of Rs. 109 crore as of January 2025. JMPL also has an undrawn loan of Rs. 70.0 crore as on December 31, 2024. Besides, the company has been receiving enhancements in line with its growth requirements, which is also backed by corporate guarantees from JCPL. Financial flexibility stemming from the Group's backing, primarily through JCPL, provides cushion in case of any adverse conditions or downturns in the business.

Credit challenges

Weakening in operating profits, net losses in FY2024 and FY2025 – JMPL's OPM has weakened to 2.57% in FY2024 from 3.80% in FY2023 due to lower-than-expected volume offtake and delay in ramping up of new stores. Slowdown in demand also necessitated increased discounts to offload the inventory additionally impacted the OPMs. This trend continued in FY2025 with further decline in OPM of 1.63% in 9M FY2025, as the company offered high discounts to offload the inventory amid demand slowdowns. JMPL had also undertaken a debt-funded investment of Rs. 206 crore in March 2024 for purchasing a 2.03% stake in JSW MG Motors India Private Limited. This has additionally added to the interest burden, exacerbating the net losses. While management has taken steps to improve operating profits, including shutdown of loss-making stores, rationalisation of other overheads, partnering with new OEMs, among others, profitable ramp-up in sales is yet to be seen and would be a key monitorable.

Weakened financial profile, increased debt levels – The Group's credit profile weakened in FY2024 and 9M FY2025 due to net losses and higher debt levels to meet its working capital requirement. Moreover, a sizeable debt-funded investment in March 2024 weakened its financial profile in the current year, with JMPL reporting a negative net worth in 9M FY2025. Similarly, debt coverage indicators also remained subdued in 9M FY2025 with interest cover of 0.42 times and total debt vis-à-vis operating profit of 27.3 times.

Intense competition and regional concentration of sales – JMPL is exposed to intense competition from dealerships of other luxury car brands, especially from Mercedes and BMW, which may continue to exert pressure on its revenues and profitability. In the MG business, JMPL witnessed competition from various other brands. Moreover, JMPL's sales are regionally concentrated with most of its revenues coming from Karnataka. However, the company's Audi dealerships are present in Mumbai, Goa and Nashik (Maharashtra), reducing the geographical concentration risk of its revenues to some extent. It has also added new OEMs such Ather, Nissan and Mahindra & Mahindra in its portfolio in the last three years, which imparts diversity to its revenue streams.

Liquidity position: Adequate

JMPL's liquidity position is expected to remain adequate. The company has sanctioned inventory funding lines of Rs. 474 crore with the average month-end utilisation being moderate at 74% for the 12-month period that ended in January 2025. The company also has sanctioned CC limits of Rs. 137.5 crore, which it utilises against receivables and other stock. Its average month-end utilisation was 85% for the 12-month period ending in January 2025. JMPL has been receiving enhancements in line with its growth requirements, which is also backed by corporate guarantees from JCPL. The company also has an undrawn loan of Rs. 70.0 crore as on December 31, 2024. JMPL has a capex plan of Rs. 25 crore over the next 12 months, which is expected to be funded through internal accruals. The company has scheduled debt repayments of Rs. 3.3 crore in FY2026 as well as in FY2027. Furthermore, financial flexibility emanating from the backing of the group, primarily through JCPL, provides cushion in case of any adverse conditions or downturns in the business.

Rating sensitivities

Positive factors – ICRA could revise the outlook to stable if JMPL reports healthy improvement in its scale and profitability of its operations, along with efficient working capital management, resulting in improvement in its credit metrics on a sustained basis. Furthermore, improvement in the credit profile of JCPL (support provider) would be a positive factor.

Negative factors – Negative pressure on the ratings would arise in case of the company is unable to turn around its operations. Further weakening in profitability and/or deterioration in its working capital cycle, which adversely impacts the company's financial metrics and liquidity profile would also be negative factors. Sustained deterioration in the credit profile of the support provider, JCPL, or weakening of linkages with JCPL will also exert downward pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	JMPL is a Jubilant Bhartia Group company. The rating assigned to JMPL factors in the high likelihood of its Group company, JCPL, extending financial support because of its strategic importance (corporate guarantee extended by JCPL for the entire external debt of JMPL). ICRA also expects JCPL to be willing to extend financial support to JMPL out of their need to protect their reputation from the consequences of a Group entity's distress. There is also a track record of JCPL extending timely financial support to the company, whenever a need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of JMPL. As on March 31, 2024, the company had two subsidiaries, which are all enlisted in Annexure II.

About the company

JMPL, incorporated in 2009, is the automobile dealership vertical of the Jubilant Bhartia Group. The entity took over the operations of Jubilant Enpro, which was till then an importer of Audi cars in India. The company, together with its two wholly-owned subsidiaries, Jubilant Performance Cars Private Limited (JPCPL) and Jubilant Auto Technologies Private Limited (JATPL), is referred to as the Jubilant Motorworks Group. JPCPL has wound up its operations.

The Group has a sizeable presence in South and West India. It entered the Audi dealership in 2009 in Bangalore. Thereafter, it opened/acquired Audi showrooms in Chennai, Mangalore, Pune, Mumbai, Nashik and Goa between 2009 and 2021 from external parties. The Group also opened MG dealerships in Bangalore and Mangalore in 2019 and 2020, respectively. JMPL also operates a dealership of Ather (e-2Ws) in Karnataka and Altigreen (e-3Ws) in Maharashtra and Gujarat. However, the Altigreen business has been wrapped up due to underperformance.

In FY2022, following a restructuring exercise, the shareholding of JMPL (earlier held by JCPL) was directly held by the Shyam Sunder Bhartia Family Trust and Hari Shankar Bhartia Family Trust. Nonetheless, JCPL continues to extend corporate guarantees to support JMPL and its subsidiaries. It has also extended inter-corporate deposits and optionally convertible debentures to JMPL.

Key financial indicators (audited)

Consolidated	FY2023	FY2024	9M FY2025
Operating income	1,544.4	1,839.8	1,540.3
PAT	14.1	-33.3	-66.2
OPBDIT/OI	3.8%	2.6%	1.6%
PAT/OI	0.9%	-1.8%	-4.3%
Total outside liabilities/Tangible net worth (times)	14.7	122.8	-17.4
Total debt/OPBDIT (times)	8.7	16.7	27.3
Interest coverage (times)	1.7	0.9	0.4

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: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	March 27, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	35.00	[ICRA]BBB+ (Negative)	-	-	-	-	-	-	-	-
Long term / short term-unallocated-unallocated	Long Tem/Short Term	6.00	[ICRA]BBB+ (Negative)/ [ICRA]A2	-	-	-	-	-	-	-	-

Long term-cash credit-fund based	Long Term	137.50	[ICRA]BBB+ (Negative)	04-DEC-2024	[ICRA]A- (Stable)	07-DEC-2023	[ICRA]A- (Stable)	08-SEP-2022	[ICRA]A- (Stable)	-	-
				-	-	-	-	26-SEP-2022	[ICRA]A- (Stable)	-	-
Short term-others-fund based	Short Term	474.00	[ICRA]A2	04-DEC-2024	[ICRA]A2+	07-DEC-2023	[ICRA]A2+	08-SEP-2022	[ICRA]A2+	-	-
				-	-	-	-	26-SEP-2022	[ICRA]A2+	-	-
Short term-bank guarantee-non fund based	Short Term	40.00	[ICRA]A2	04-DEC-2024	[ICRA]A2+	07-DEC-2023	[ICRA]A2+	08-SEP-2022	[ICRA]A2+	-	-
				-	-	-	-	26-SEP-2022	[ICRA]A2+	-	-
Unallocated limits	Short Term	-						08-SEP-2022	[ICRA]A2+		
								26-SEP-2022	[ICRA]A2+		
Overdraft limits	Short Term	-						08-SEP-2022	[ICRA]A2+		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based limits (Cash Credit/ Overdraft Facility)	Simple
Short-term fund-based limits (Inventory funding)	Very simple
Short-term non-fund-based limits (BG)	Very simple
Long-term fund-based Term loan	Simple
Long-term / Short-term - Unallocated	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	Long-term Fund-based Limits (Cash Credit/ Overdraft Limits)	-	-	-	137.50	[ICRA]BBB+ (Negative)
NA	Short-term fund-based limits (Inventory funding)	-	-	-	474.00	[ICRA]A2
NA	Short-term Non-fund-based limits (BG)	-	-	-	40.00	[ICRA]A2
NA	Long-term fund-based Term loan	Mar 2024	-	Mar 2029	35.00	[ICRA]BBB+ (Negative)
NA	Long-term / Short-term - Unallocated	NA	NA	NA	6.00	[ICRA]BBB+ (Negative)/ [ICRA]A2

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Jubilant Motorworks Private Limited	100.00% (rated entity)	Full Consolidation
Jubilant Performance Cars Private Limited	100.00%	Full Consolidation
Jubilant Auto Technologies Private Limited	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Shamsher Dewan
0124-4545 328
shamsherd@icraindia.com

Kinjal Kirit Shah
022-6114 3442
kinjal.shah@icraindia.com

Sakshi Suneja
022-6169-3345
sakshi.suneja@icraindia.com

Brinda Goradia
022-6169-3327
brinda.goradia@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

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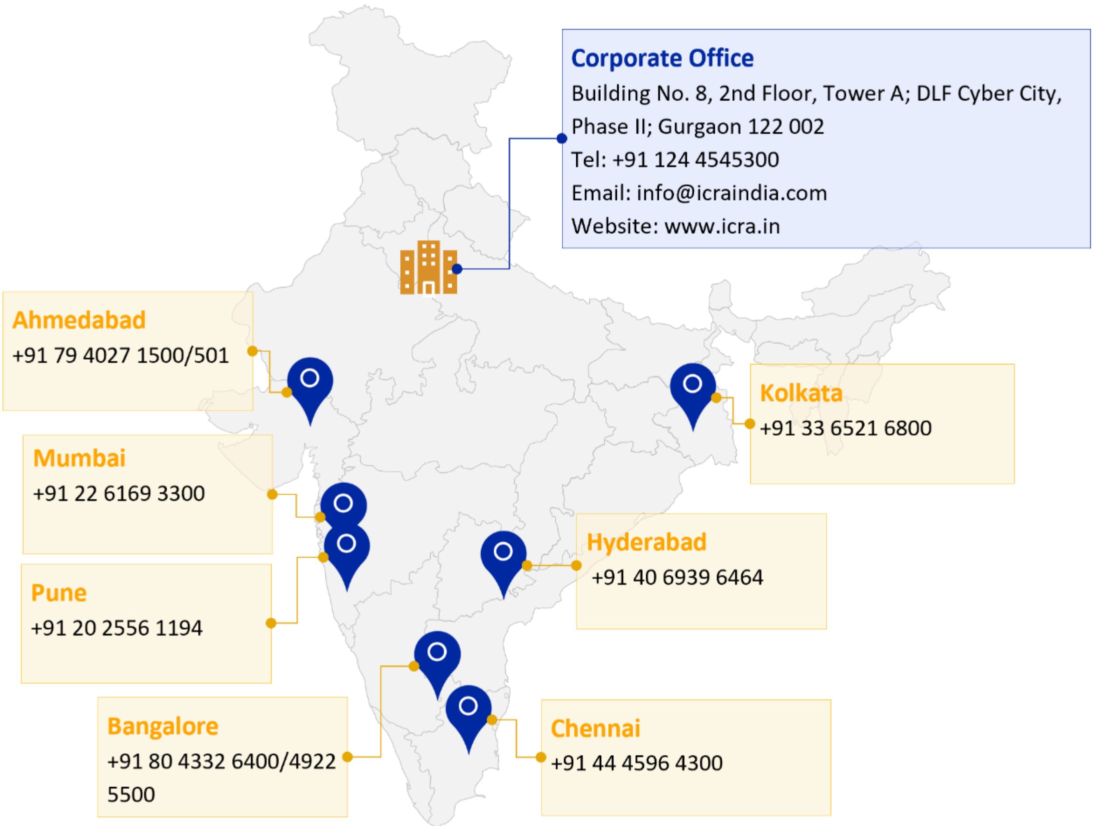

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