

May 26, 2025

Sree Krishna Automotives Hyd. Pvt. Ltd.: Long-term rating reaffirmed; short-term rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash Credit	135.75	128.50	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund-based – Term Loan	3.18	21.50	[ICRA]BBB (Stable); reaffirmed
Long-term/Short-term – Unallocated Limits	11.07	0.00	[ICRA]BBB (Stable); reaffirmed / [ICRA]A3+; reaffirmed and withdrawn
Total	150.00	150.00	

*Instrument details are provided in Annexure I

Rationale

The ratings consider Sree Krishna Automotives Hyd. Pvt. Ltd.'s (SKAHPL's) established position as an authorised dealer of Honda Cars India Limited (Honda), FCA India Automobiles Private Limited (Jeep), PCA Automobiles India Private Limited (Citroen) and Jaguar Land Rover Limited's (JLR) passenger vehicles (PVs) and Ather Energy Limited's (Ather) two-wheelers (2Ws) in Telangana. SKAHPL has over 20 touch points across Hyderabad, Nalgonda and Warangal. The company recorded a moderate revenue growth of around 5% in FY2025, supported by growth in spares and service revenue, and JLR and Ather volumes. However, revenues from other dealerships declined owing to muted demand, given the limited new vehicle launches and increased competition from other original equipment manufacturers (OEM).

SKAHPL's operating margin declined to 4.4% in FY2025 from 6.5% in FY2024 owing to reduction in dealer commission for a few vehicles. Nevertheless, ICRA notes SKAHPL's high share of revenues of 22-24% in FY2025 from spares, services, and incentives, given its presence in the luxury car segment, supports its operating margins. ICRA expects the OPM to remain at 4-4.5% in the near-to-medium term. The company's debt protection metrics remained healthy, despite moderation in margins and are expected to remain comfortable, going forward, with gearing of less than 1.0 times and interest coverage of over 4.0 times in FY2026.

The ratings remain constrained by the intense competition in the automobile dealership industry in India and limited bargaining power of dealers, with pricing policies decided by the principal Original Equipment Manufacturers (OEMs). The ratings also consider the subdued performance of principal OEMs such as Jeep and Honda because of limited new launches, which led to loss of their market share and impacted SKAHPL's volume growth. The company's revenue growth is expected to be muted in FY2026 on account of the same.

The Stable outlook reflects ICRA's expectation that SKAHPL will continue to record healthy earnings on the back of high share of service and spare income, which would support the company in maintaining a comfortable credit profile.

ICRA has withdrawn the short-term rating, as per ICRA's policy of withdrawal. There is no amount outstanding against the said limit.

Key rating drivers and their description

Credit strengths

Established position as dealer of Honda, Jeep, Citroen, Ather and JLR in Telangana – The company is the exclusive dealer in Telangana for JLR and Citroen, while other dealerships are non-exclusive in nature. It has over 20 showrooms and 17 service workshops across Hyderabad, Nalgonda and Warangal. The promoters have been engaged in the dealership business for more than 15 years, which has helped SKAHPL in developing its brand in Hyderabad.

Healthy financial profile – SKAHPL's operating margins are supported by a healthy share of revenues from spares, services, and incentives, which together accounted for around 23% of its revenues in FY2025. Nevertheless, ICRA notes that the company's margins moderated by around 210 bps in FY2025 owing to reduction in commissions from the key principals. Its operating margin is expected to remain rangebound at 4.0-4.5%, going forward. Despite moderation in margins, the company's capital structure was comfortable with a gearing of 0.6 times as on March 31, 2025, and its debt metrics were healthy with an interest coverage of 4.6 times, total debt/OPBDITA of 2.4 times, and DSCR of 2.3 times in FY2025. Its debt metrics are expected to remain comfortable, going forward.

Credit challenges

Subdued performance of principal OEMs impacts volume growth – In the past two years, the company's volume growth has been impacted by the subdued performance of a few of its principal OEMs. Limited new launches from principal OEMs such as Honda and Jeep have impacted the company's volume growth. However, strong growth in JLR's sales volumes and healthy demand for Ather 2Ws have been supporting the company's revenues. ICRA expects SKAHPL's revenue growth to remain muted in FY2026, despite a healthy growth in JLR and Ather sales volumes, on account of underperformance of other OEMs.

Intense competition among dealers of the same principal and that of other OEMs – The company is the authorised dealer for Honda, Jeep, Ather, JLR and Citroen. Its sales and profitability remain susceptible to intense competition from other dealers of these OEMs, as well as other OEMs in the region. The dealers pass on additional benefits and discounts to customers to increase sales, owing to intense competition, which impacts their profitability to an extent.

Liquidity position: Adequate

The company's liquidity is adequate with a buffer of Rs. 65.0-75.0 crore in working capital limits along with free cash and bank balances of Rs. 12.4 crore as on March 31, 2025, against repayment obligations of Rs. 7.0-8.0 crore in FY2026. SKAHPL is expected to incur capex of Rs. 6.0-8.0 crore per annum, which would be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade SKAHPL's ratings if the company demonstrates a more broad-based growth in volumes and revenues across most of its affiliate OEMs, translating into improved profitability and steady credit metrics.

Negative factors – Pressure on SKAHPL's ratings could arise if there is a substantial decline in revenues or profit margins, or an increase in debt levels, impacting its capital structure or coverage metrics. Weakening of the interest coverage ratio to below 2.8 times could also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Rating Methodology – Automobile Dealers Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Sree Krishna Automotives Hyd. Pvt. Ltd., incorporated on September 29, 2006, started its commercial operations from October 2007 in Hyderabad. It is involved in the automobile dealership and after sales service of Honda, Jeep, Citroen, JLR and Ather vehicles in Telangana. The company operates over 20 showrooms and 11 workshops/service centres in Telangana. The company is promoted by Mr. M. Suresh Reddy and family.

Key financial indicators (audited)

SKAHPL Standalone	FY2024	FY2025*
Operating income	872.6	912.7
PAT	34.3	20.4
OPBDIT/OI	6.5%	4.4%
PAT/OI	3.9%	2.2%
Total outside liabilities/Tangible net worth (times)	1.0	0.8
Total debt/OPBDIT (times)	1.6	2.4
Interest coverage (times)	6.8	4.6

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

CRA	Rating	Last PR Date
India Ratings & Research	IND BB-/Negative (ISSUER NOT COOPERATING)/ IND A4+(ISSUER NOT COOPERATING)	Apr 10, 2025

Source: India Ratings website

Any other information: None

Rating history for past three years

Current rating (FY2026)			Chronology of rating history for the past 3 years						
FY2026			FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	May 26, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash Credit	Long term	128.50	[ICRA]BBB (Stable)	Jun-21-2024	[ICRA]BBB (Stable)	Jun-30-2023	[ICRA]BBB (Stable)	May-30-2022	[ICRA]BBB- (Stable)
Fund-based – Term Loan	Long term	21.50	[ICRA]BBB (Stable)	Jun-21-2024	[ICRA]BBB (Stable)	Jun-30-2023	[ICRA]BBB (Stable)	May-30-2022	[ICRA]BBB- (Stable)
Unallocated Limits	Long term and short term	0.00	[ICRA]BBB (Stable) reaffirmed/[ICRA]A3+; reaffirmed and withdrawn	Jun-21-2024	[ICRA]BBB (Stable)/[ICRA]A3+	Jun-30-2023	[ICRA]BBB (Stable)/[ICRA]A3+	May-30-2022	[ICRA]BBB- (Stable)/[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash Credit	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 – Cash Credit	NA	NA	FY2024	128.50	[ICRA]BBB (Stable)
NA	Fund-based – Term Loan	FY2023	NA	FY2032	21.50	[ICRA]BBB (Stable)
NA	Unallocated Limits	NA	NA	NA	0.00	[ICRA]BBB (Stable); reaffirmed / [ICRA]A3+; reaffirmed and withdrawn

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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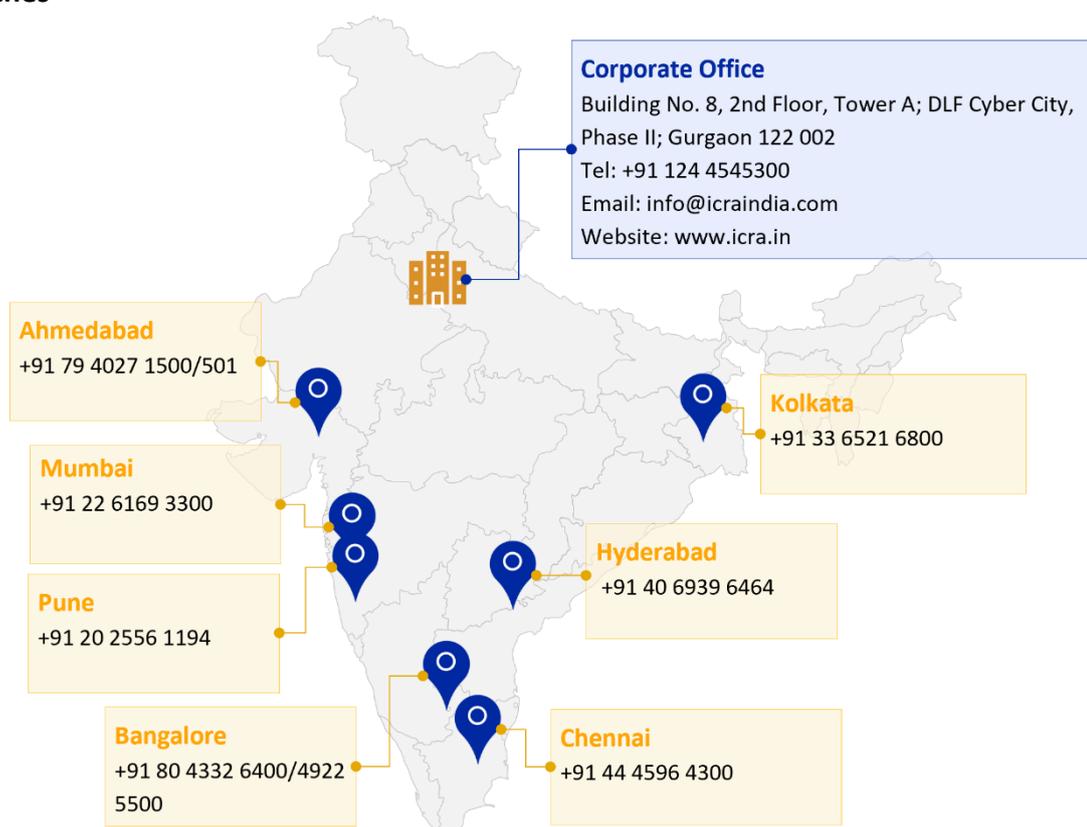
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