

October 28, 2025

Star Automobiles: Rating upgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash credit	10.00	24.00	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable)
Long-term – Unallocated limits	15.00	1.00	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable)
Total	25.00	25.00	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade of Star Automobile (SA) considers the firm's robust revenue growth to about Rs. 990 crore in FY2025 from around Rs. 428 crore in FY2022 on account of healthy volume growth for passenger vehicle (PVs) and light commercial vehicles (LCV). SA has benefitted from the exclusive dealership of M&M in the territory, where it operates and healthy and increasing market share of Mahindra & Mahindra Limited (M&M) in the PV industry and strong market share in commercial vehicles (CV). M&M's market share in the PV industry has increased to about 15% in 5M FY2026 from about 7% in FY2022 while M&M continued to hold a 27-28% market share in the CV industry. The rating continues to take comfort from SA's established position as a leading dealer of M&M across 14 districts in Madhya Pradesh. Further, the rating favourably factors in the extensive experience of its promoters in the automobile dealership business and its healthy financial profile, as reflected in its comfortable coverage indicators and adequate liquidity, supported by access to low-cost trade finance facilities.

The rating is, however, constrained by the inherently thin margin in the auto dealership business due to limited bargaining power. While assigning the rating, ICRA has also considered the company's exposure to the cyclical nature of the Indian commercial vehicle (CV) industry and intense competition among the dealers of various original equipment manufacturers (OEMs) within the catchment area of operations. Additionally, given its constitution as a partnership firm, ICRA notes the regular withdrawal of funds by the promoters, which has increased substantially in FY2025; however, the same is expected to be normalised in FY2026.

The Stable outlook on SA's long-term rating reflects ICRA's opinion that the company will continue to benefit from its established presence in eastern Madhya Pradesh while sustaining the current profitability levels.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in dealership business – SA is a part of the Star Group, and its promoters have extensive experience in the automotive dealership space, operating multiple dealerships of different OEMs for passenger vehicles (PVs), CVs and two wheelers (2Ws).

Strong market position as one of the leading authorised dealers of M&M in eastern Madhya Pradesh – SA enjoys an established market position as one of the largest authorised dealers of M&M in eastern Madhya Pradesh. Given its presence as a leading dealer of M&M across 14 districts in the state, SA enjoys a healthy market share in its area of operations. It also operates 17 showrooms (including 16 through sub-dealership) of Hero MotoCorp Ltd.'s (HMCL) two-wheelers (2Ws) in Madhya

Pradesh. M&M has witnessed a healthy revenue growth of around 16% in FY2025 (34% in FY2024) on a YoY basis, led by a robust growth in sales of its key models like Bolero and Scorpio. ICRA expects the growth momentum to continue in the current fiscal, given the healthy consumer demand for M&M vehicles and expected increase in sales on account of reduction in GST as well.

Comfortable coverage indicators – SA does not have any long-term debt and avails working capital facilities mainly in the form of overdraft against fixed deposits and low-cost trade advance facilities. Consequently, its debt metrics remain comfortable, as reflected in a healthy interest coverage of 5.2 times and 5.3 times, respectively, in FY2024 and FY2025 (provisional). The company's financial risk profile is likely to remain comfortable in the near to medium term with moderation.

Credit challenges

Thin margins inherent in auto dealership business – In a dealership business, the profit margins are thin as trading of vehicles dominates the revenue mix. Also, the low bargaining power of the dealer is reflected in the thin operating profit margin (OPM) of about 2.5% in FY2025 (provisional) and ICRA does not expect any material moderation or increase in the same, going forward.

Vulnerable to inherent cyclicity in automobile industry and competition from dealers of other OEMs – The firm remains exposed to cyclical downturns in the automobile industry. Further, the automotive dealership industry is highly fragmented with intense competition from dealers of competing OEMs. Additionally, increasing dealer outlets of other OEMs and competition from electric vehicles (from other OEMs) can impact growth.

Partnership nature of business limits financial flexibility and leads to risks of capital withdrawal – Historically, significant capital withdrawal by the partners, annually, has been resulting in thin accruals, despite adequate profits. This has led to a limited increase in its net worth position, thus restricting financial flexibility. In FY2025, partners withdrew almost whole year's profits, resulting in modest cash accruals. However, ICRA expects the withdrawals to remain within the reasonable limit, going forward.

Liquidity position: Adequate

SA's liquidity remains adequate, supported by available undrawn lines of credit in the form of working capital limits, which include trade advance facilities from non-banking financial companies (NBFCs) including Mahindra and Mahindra Financial Services. The cash credit utilisation of the firm, as a proportion of the sanctioned limits, remained low at 17% over a period of 12 months ending in June 2025. There are no long-term debt repayment obligations, or any debt-funded capex plan. ICRA expects the cash flow from operations to turn positive in FY2025, as the additional working capital requirement will be on the lower side.

Rating sensitivities

Positive factors – The rating could be upgraded if the firm is able to maintain its growth in revenue and earnings while maintaining the comfortable debt coverage metrics and liquidity, leading to a sustained improvement in its net worth.

Negative factors – The rating may be downgraded if there is a significant decline in the firm's revenue and profitability, resulting in a deterioration of its overall financial profile and liquidity position. Further, higher-than-expected withdrawal, on a sustained basis, resulting in a decline in net worth, may negatively impact the rating. Interest coverage below 3.5 times, on a consistent basis, could also lead to a negative rating action.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of SA.

About the company

Founded in 1978 as a partnership firm, Star Automobile (SA) is an authorised dealer of M&M and HMCL. The firm operates 15 sales, service and spares (3S) showrooms and 12 sales (1S) showrooms of M&M's passenger and light commercial vehicles and two sales and spares (2S) showrooms in 14 districts of Madhya Pradesh. It also operates 17 showrooms, including 16 sub-dealership showrooms of HMCL in Madhya Pradesh.

SA is a part of the Star Group, which operates automobile dealerships for multiple OEMs such as M&M, Honda Cars India Limited and Tata Motors Limited in Madhya Pradesh. Additionally, the Group has presence in other sectors such as automobile financing, newspaper printing, and insurance broking.

Key financial indicators (audited)

SA Standalone	FY2024	FY2025*
Operating income	854.9	990.6
PAT	20.0	23.5
OPBDITA/OI	2.5%	2.5%
PAT/OI	2.3%	2.4%
Total outside liabilities/Tangible net worth (times)	1.6	1.5
Total debt/OPBDITA (times)	2.4	2.3
Interest coverage (times)	5.2	5.3

Source: Company, ICRA Research; * Provisional financials statement submitted by the company; 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 rating (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs crore)	October 28, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long-term	24.00	[ICRA]BBB (Stable)	Apr 03, 2024	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	-	-	Mar 29, 2023	[ICRA]BBB- (Stable)
				Jul 23, 2024	[ICRA]BBB- (Stable)	-	-	-	-
Unallocated - Unallocated	Long-term	1.00	[ICRA]BBB (Stable)	Jul 23, 2024	[ICRA]BBB- (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Cash credit	Simple
Long-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	Cash credit	NA	NA	NA	24.00	[ICRA]BBB (Stable)
NA	Unallocated limits	NA	NA	NA	1.00	[ICRA]BBB (Stable)

Source: Company

Annexure II: List of entities considered for Consolidated analysis – Not applicable

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