

November 03, 2025

AVG Motors Private Limited: Ratings 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/CC	8.00	8.00	[ICRA]BBB (Stable); reaffirmed
Short-term – Fund based – Others	40.00	45.00	[ICRA]A3+; reaffirmed and assigned for enhanced amount
Long-term/Short-term – Unallocated	2.00	7.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed; assigned for enhanced amount
Total	50.00	60.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation on the bank lines of AVG Motors Private Limited's (AVG) considers its established operational track record as an authorised dealer of Maruti Suzuki India Limited (MSIL) and its strong market position in central Kerala. The ratings continue to positively factor in the leadership position of AVG's principal, MSIL, in the domestic passenger vehicle (PV) segment with the highest market share. The company recorded a healthy revenue growth of about 9% in FY2025 on the back of an increase in new car sales volumes. AVG's revenue growth is expected to remain steady in FY2026 on account of healthy demand after the recent reduction in GST rate, following a moderate increase in H1 FY2026. The ratings also consider the company's healthy capital structure and debt protection metrics, as reflected in a gearing of 0.6 times and an interest cover of 4.6 times in FY2025.

The ratings, however, remain constrained by the company's moderate scale of operations in the competitive automobile dealership industry. The ratings also factor in the low profit margins inherent to the dealership nature of the business as new car sales, which dominate the revenue mix, command lower margins. AVG's margins are expected to remain range-bound in the near term. Further, the ratings consider intense competition from other dealers of MSIL and that of other original equipment manufacturers (OEMs) in Kerala along with high geographical concentration of sales as all the company's showrooms are in central Kerala.

The Stable outlook on the long-term rating reflects ICRA's opinion that AVG will maintain its credit profile with healthy growth in revenues and earnings, supporting comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Extensive track record in automobile dealership business – AVG has been an authorised dealer of MSIL's PVs since 1998. The company has an established presence in Kottayam and Pathanamthitta districts of Kerala, commanding a considerable market share of MSIL's vehicles sold in these locations. At present, the company has five showrooms in Kottayam, Pathanamthitta, and Thiruvalla.

Strong market position of MSIL – AVG's principal dealer, MSIL, is the market leader in the Indian domestic PV segment with about 41.0% market share in FY2025. MSIL's market share is primarily aided by healthy demand in the market for its products on account of its wide range of offerings. MSIL's leadership position in the PV segment augurs well for AVG.

Comfortable capital structure – AVG’s capital structure remained comfortable with a gearing of 0.6 times as on March 31, 2025, supported by healthy accruals and absence of long-term debt. The same is expected to remain at a similar level. The company’s debt protection metrics also remained comfortable with an interest coverage of 4.6 times, Total Debt/OPBIDTA of 2.5 times and DSCR of 4.0 times in FY2025. Going forward, the debt protection metrics are expected to remain healthy. Further, the company’s liquidity position remains adequate, characterised by the buffer in its working capital facilities.

Credit challenges

Moderate scale of operations – AVG’s scale of operations is expected to remain moderate despite the expected high single-digit revenue growth in FY2026. AVG’s revenue grew by about 9% in FY2025 on the back of improved product mix.

Thin profit margins owing to dealership nature of operations – The dealership business is characterised by thin margins and low bargaining power of the dealer as margins on vehicles are determined by the principal. Further, intense competition in the auto dealership business results in low margins. AVG’s operating profit margin remained low, but stable in the range of at 2.5-3.0% FY2025.

High geographical concentration of sales – The company’s showrooms are spread across central Kerala, including Kottayam, Pathanamthitta and Thiruvalla. With high concentration of sales in the said districts, any weakening of the region’s economy is likely to have an adverse impact on the company’s revenues.

Liquidity position: Adequate

AVG’s liquidity position is adequate, with cash and bank balances of around Rs. 12.5 crore and a buffer of Rs. 15-16 crore in working capital limits as on March 31, 2025. The company does not have any repayment obligation. It is expected to incur capex of Rs. 5.0-6.0 crore per annum in FY2026, which would be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a sustained growth in sales and earnings while maintaining comfortable liquidity position and healthy debt protections metrics.

Negative factors – The ratings of the company may be downgraded if there is a substantial decline in revenues and earnings, weakening AVG’s credit metrics and liquidity position on a sustained basis. Specific credit metrics that may trigger ratings downgrade include an interest coverage ratio of less than 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobiles Dealers
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone financials of the company have been analysed.

About the company

AVG, incorporated in 1998, operates as an authorised dealer of Maruti Suzuki India Limited (MSIL) in Central Kerala. At the time of its inception, the company had only one showroom in Kottayam. As on date, the company has five 3S showrooms in Kottayam, Pathanamthitta, and Thiruvalla. AVG also has booking offices in several parts of Kerala, including Trivandrum,

Kollam, Allepey, Idukki and Pala, among others. AVG has six service workshops located in Kottayam, Pathanamthitta, Thiruvalla, Kozhencheery, Pala and Adoor.

Key financial indicators

AVG (Standalone)	FY2024	FY2025*
Operating income	420.9	458.9
PAT	5.1	4.8
OPBDIT/OI	2.8%	2.8%
PAT/OI	1.2%	1.0%
Total outside liabilities/Tangible net worth (times)	0.9	1.2
Total debt/OPBDIT (times)	1.5	2.5
Interest coverage (times)	5.5	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: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Nov 03, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash Credit	Long-Term	8.00	[ICRA]BBB (Stable)	Sep 23, 2024	[ICRA]BBB (Stable)	Sep 14, 2023	[ICRA]BBB (Stable)	Oct 07, 2022	[ICRA]BBB (Stable)
Fund based – Others	Short-Term	45.00	[ICRA]A3+	Sep 23, 2024	[ICRA]A3+	Sep 14, 2023	[ICRA]A3+	Oct 07, 2022	-
Fund based	Short Term	0.00	-	Sep 23, 2024	-	Sep 14, 2023	-	Oct 07, 2022	[ICRA]A3+
Unallocated Limits	Long-term/Short-term	7.00	[ICRA]BBB (Stable)/[ICRA]A3+	Sep 23, 2024	[ICRA]BBB (Stable)/[ICRA]A3+	Sep 14, 2023	[ICRA]BBB (Stable)/[ICRA]A3+	Oct 07, 2022	[ICRA]BBB (Stable)/[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash Credit	Simple
Short-term – Fund based – Others	Very Simple

Long-term/Short-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	Long-term – Fund-based – Cash Credit	NA	NA	NA	8.00	[ICRA]BBB (Stable)
NA	Short-term – Fund based – Others	NA	NA	NA	45.00	[ICRA]A3+
NA	Long-term/Short-term – Unallocated Limits	NA	NA	NA	7.00	[ICRA]BBB (Stable)/[ICRA]A3+

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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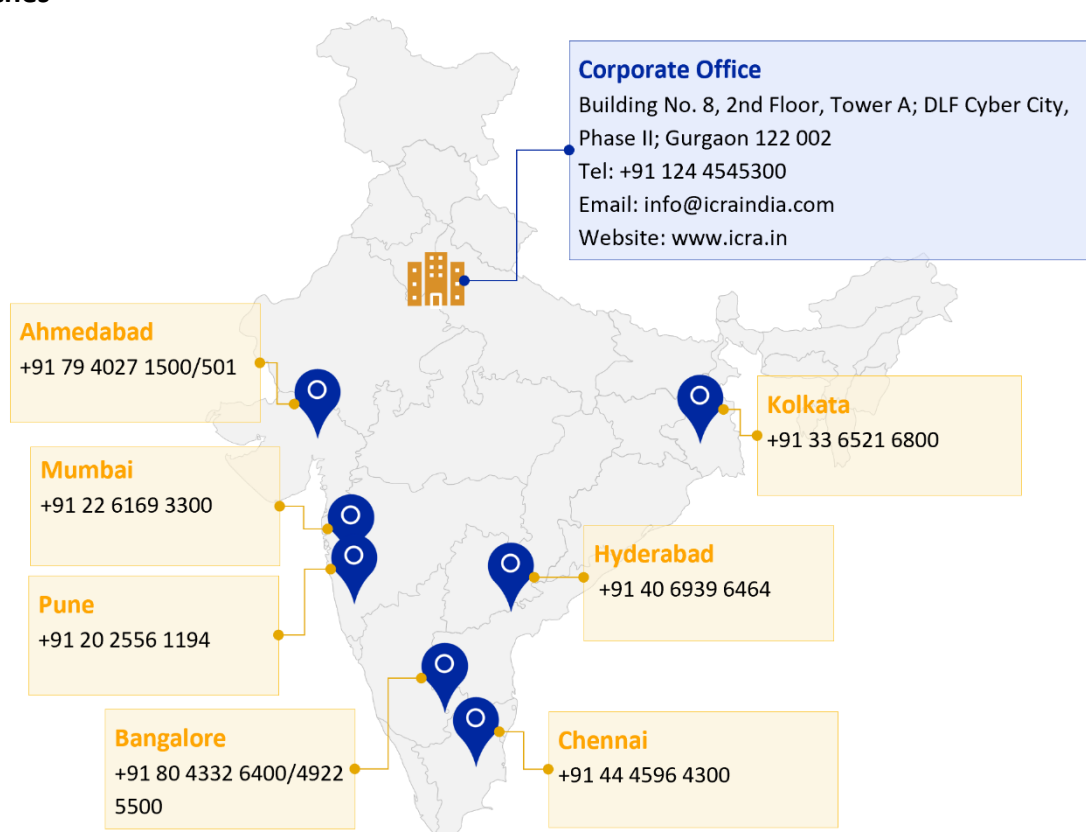
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