

November 21, 2025

## Bharath Auto Cars Private Limited: Ratings downgraded to [ICRA]BB (Stable)/ [ICRA]A4

### 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	10.00	[ICRA]BB (Stable); Downgraded from [ICRA]BB+(Stable)
Short Term - Fund based limits	25.00	25.00	[ICRA]A4; Downgraded from [ICRA]A4+
<b>Total</b>	<b>35.00</b>	<b>35.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings downgrade for Bharath Auto Cars Private Limited (BACPL) reflects weakened earnings, stretched liquidity, and deteriorating debt protection metrics in FY2024 and FY2025, a trend expected to persist in the near term. The operating profit margins (OPM) declined to around 2% in FY2024 and FY2025 from 3.9% in FY2023, primarily due to subdued passenger vehicle (PV) demand, higher overheads, and increased discounts to clear unsold inventory. The debt protection indicators worsened significantly, with total debt/OPBITDA increasing to 7.8 times in FY2025 from 1.8 times in FY2023, and interest coverage declining to 1.3 times in FY2025 from 4.3 times in FY2024. The ratings remain constrained by the inherently low margins in the automobile dealership business, where pricing and profitability are dictated by OEMs, intense competition from other Maruti Suzuki India Limited (MSIL) and rival original equipment manufacturers (OEMs) dealers in Karnataka, and ongoing cash flow pressures from mandatory dealership upgrades aligned with the principal's marketing strategy.

The ratings, however, continue to positively factor in its proven operational track record as an authorised dealer of MSIL PVs in Mangalore and Coastal Karnataka districts. The ratings also draw comfort from the leadership position of BACPL's principal, MSIL, in the domestic PV segment.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to record healthy growth in earnings, benefitting from demand for PVs and its established presence in Mangalore.

### Key rating drivers and their description

#### Credit strengths

**Extensive track record of BACPL in automobile dealership business** – BACPL has been an authorised dealer of PVs for the Mangalore and Coastal Karnataka since 2006. The promoters also have over two decades of experience in the automobile dealership business. It is one of the largest authorised dealers for MSIL in the region, with a sales network spread across 18 outlets.

**Dominant market position of MSIL in domestic PV segment** – BACPL's principal, MSIL, is the leader in the Indian PV segment with a market share of 40.8% in FY2025. MSIL's market share is primarily aided by healthy demand for its products owing to its wide range of offerings and its leadership position in the PV segment augurs well for BACPL.

## Credit challenges

**Weakened profitability and moderate debt protection metrics** – BACPL’s OPM declined in FY2024 and FY2025 owing to high discounts offered to consumers, increased employee costs and other overheads. Due to the decline in operating profit and increased reliance on bank debt, total debt/OPBITDA rose to 7.8 times in FY2025 from 1.8 times in FY2023, and interest coverage declined to 1.3 times in FY2025 from 4.3 times in FY2024, which is likely to remain range-bound in the near term.

**Moderate capital structure** – The company’s capital structure is moderate, with gearing and TOL/TNW of 3.5 times and 4.2 times, respectively, as on March 31, 2025 due to high debt and moderate net worth. ICRA expects the capital structure to remain stable in the near to medium term.

**Exposed to intense competition** – The automotive dealership industry is intensely competitive, with stiff competition from other dealerships. Intense competition from the dealers of other OEMs also exerts pressure on BACPL’s sales volumes and margins. Moreover, the incremental investment required to regularly upgrade dealership outlets, in line with the principal’s marketing strategy, keeps the cash flows of the dealerships under pressure.

## Liquidity position: Stretched

The company’s liquidity position is stretched due to weak cash generation from operations. The company had free cash of Rs. 1.19 crore as on March 31, 2025, and a low buffer in working capital limits. It has repayment obligations of around Rs. 0.63 crore in the next 12 months. The company has no major capex plans.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if the company reports an improvement in earnings leading to sustained enhancement in debt protection metrics and liquidity. Specific metric that could lead to ratings upgrade would be interest coverage of more than than 2.0 times on a sustained basis.

**Negative factors** – The ratings may be downgraded if there is a significant decline in earnings or further stretching of liquidity and weakening of coverage indicators.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Automobile Dealers</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial statements

## About the company

Incorporated in 2006 in Mangalore, Bharath Auto Cars Private Limited (BACPL) is an authorised passenger car dealer of MSIL. The company has a presence in and around Mangalore with 18 showrooms/sales points. BACPL is a part of the Bharath Group of Companies, which has business interests in automobiles, retail, entertainment, printing, transportation, and construction industries. The flagship company of the Group, Bharath Beedi Works Private Limited, is involved in the production of beedis.

### Key financial indicators (audited)

BCAPL Standalone	FY2024	FY2025
Operating income	398.9	413.2
PAT	1.9	-0.6
OPBDIT/OI	1.9%	2.0%
PAT/OI	0.5%	-0.1%
Total outside liabilities/Tangible net worth (times)	3.2	4.2
Total debt/OPBDIT (times)	5.7	7.8
Interest coverage (times)	1.8	1.3

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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount Rated (Rs. crore)	Nov 21 2025	Date	Rating	Date	Rating	Date	Rating
Long-Term-Fund based	Long Term	10.00	<b>[ICRA]BB (Stable)</b>	Oct 07, 2024	<b>[ICRA]BB+ (Stable)</b>	04-Sep-23	<b>[ICRA]BB+ (Stable); ISSUER NOT COOPERATING</b>	19-Aug-22	<b>[ICRA]BB (Stable)</b>
						10-Aug-23	<b>[ICRA]BB+ (Stable)</b>		
Short-term-fund based	Short Term	25.00	<b>[ICRA]A4</b>	Oct 07, 2024	<b>[ICRA]A4+</b>	04-Sep-23	<b>[ICRA]A4+; ISSUER NOT COOPERATING</b>	19-Aug-22	<b>[ICRA]A4</b>
						10-Aug-23	<b>[ICRA]A4+</b>		
Bank Guarantee	Short Term	0.00	-	-	-	-	-	19-Aug-22	-
Unallocated	Short Term	0.00	-	-	-	-	-	19-Aug-22	<b>[ICRA]A4</b>

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash credit	Simple
Short-term – Fund based limits	Very 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	Long-term Fund-based – Cash credit	NA	NA	NA	10.00	[ICRA]BB (Stable)
NA	Short-term – Fund based – Dealer financing scheme	NA	NA	NA	25.00	[ICRA]A4

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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### Branches



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