

January 30, 2026

Ramani Cars Private Limited: Rating reaffirmed; removed from Issuer Non-Cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Working capital limits	90.00	71.00	[ICRA]BBB- (Stable); reaffirmed and removed from Issuer Not Cooperating category
Long term – Unallocated limits	0.00	19.00	[ICRA]BBB- (Stable); reaffirmed and removed from Issuer Not Cooperating category
Total	90.00	90.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has removed its earlier rating of “[ICRA]BBB- (Stable) ISSUER NOT COOPERATING” for the bank facilities of Ramani Cars Private Limited (RCPL/the company) from the ‘Issuer Not Cooperating’ category as the company has now started cooperating based on fee.

The reaffirmed rating of RCPL reflects the expectation of a gradual improvement in operational and financial performance over the near-to-medium term, driven by the expected demand revival for passenger vehicles (PVs) from H2 FY2026, following the GST rate cut. The company’s revenues fell by around 3.8% to Rs. 417.4 crore in FY2025 owing to subdued demand for PVs and heightened competition in the automotive dealership market. Further, RCPL’s operating profit margin (OPM) moderated to 1.8% in FY2025 from 3.2% in FY2024, primarily due to higher discounts offered to increase sales and liquidate unsold inventory. The company’s earnings are expected to improve gradually from FY2026, supported by an increase in sales volumes witnessed from November 2025 on a YoY basis. The ratings continue to factor in RCPL’s established position as the sole authorised dealer of Volkswagen India Private Limited’s (VWIPL) PVs for all districts in Tamil Nadu, except Chennai and Vellore. RCPL’s liquidity also remains adequate, supported by unencumbered cash and bank balances of around Rs. 28 crore as on December 31, 2025.

The rating, however, remains constrained by the modest scale of operations and moderate debt protection metrics over the last two years, particularly reflected in the interest coverage ratio and Total Debt/OPBDITA, which stood at 1.0 times and 9.9 times, respectively, in FY2025, against 1.8 times and 6.0 times, respectively, in FY2024. While debt protection metrics are likely to improve with an expected increase in earnings, the key coverage indicators are likely to remain modest owing to lower earnings and sizeable interest expenses. The rating also remains constrained by VWIPL’s relatively weak market share in the domestic PV market (market share of 1% in FY2025) and the company’s relatively high geographic concentration within Tamil Nadu, exposing its performance to region-specific event risks. The rating is further constrained by low margins inherent to the automobile dealership business, as vehicle sales, which drive a significant portion of revenues, command low margins. Besides, competition faced by the company from other VWIPL dealers as well as dealers of other original equipment manufacturers (OEMs) exerts pressure on its sales and profit margins.

The Stable outlook on the long-term rating reflects ICRA’s belief that RCPL’s revenue and earnings will grow in the near term while maintaining an adequate liquidity position. Further, the outlook underlines ICRA’s expectation that the entity’s incremental capex, if any, undertaken to further increase capacity, will be funded in a manner that enables it to durably maintain its debt protection metrics commensurate with the existing rating..

Key rating drivers and their description

Credit strengths

Sole authorised dealer of VWIPL's PVs across all districts of Tamil Nadu, barring Chennai and Vellore – RCPL is the sole authorised dealer of VWIPL's PVs in Tamil Nadu for all districts, except Chennai and Vellore. It has an established presence, accounting for 45-50% of VWIPL's Tamil Nadu sales and 5-7% of VWIPL's overall domestic sales. Currently, the company has nine 3S (sales, spares, and services) showrooms, seven sales outlets, and three workshops. The promoters, through their Group companies, have extensive experience of over two decades in the automobile industry and have interests in dealerships of other automobile original equipment manufacturers (OEMs) across Tamil Nadu, including those of Honda Cars India Limited (HCIL), Mahindra & Mahindra Limited (M&M), and JSW MG Motor India Pvt Ltd.

Adequate liquidity position – The liquidity position of the company is adequate, supported by anticipated cash accruals from the business, unencumbered cash and bank balances of around Rs. 28 crore as on December 31, 2025, and an adequate buffer in working capital limits. The company has repayment obligations of Rs. 0.6 crore in FY2026, which are likely to be serviced comfortably through expected retained cash flows.

Credit challenges

Moderate in debt coverage metrics; expected to improve gradually – RCPL's OPM moderated to 1.8% in FY2025 from 3.2% in FY2024 and 3.6% in FY2023, primarily due to higher discounts offered to boost sales volumes amid stiff competition. However, an increase in revenues from spares and accessories and service income supported operating profitability in FY2025. The lower earnings have resulted in a weakening of debt protection metrics over the last two years, particularly reflected in the interest coverage ratio and total debt/OPBDITA, which stood at 1.0 times and 9.9 times, respectively, in FY2025, against 1.8 times and 6.0 times, respectively, in FY2024. While debt protection metrics are likely to improve with an expected increase in earnings, the key coverage indicators are likely to remain modest owing to lower earnings and sizeable interest expenses.

Low market share of VWIPL in domestic PV market – VWIPL's domestic sales are heavily dependent on its limited product portfolio, exposing it to product concentration risk. VWIPL continues to be a marginal player in India with domestic market share of around 1% for FY2025. While the OEM has launched new PVs in the last one to two years, the product portfolio is expected to remain limited in the near term as well.

Moderate scale of operations; sales concentrated in Tamil Nadu – RCPL's operating income remains moderate relative to the market size. Further, the company witnesses high geographic concentration, with its entire sales being generated from Tamil Nadu. This exposes the company's performance to region-specific event risks. Further, the automotive dealership industry faces stiff competition from various dealerships. Intense competition from dealers of other OEMs also exerts pressure on RCPL's sales volumes and margins.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate, supported by free cash and bank balances of Rs. 28 crore as on December 31, 2025, and an anticipated increase in revenues from cash flows from operations. The average utilisation of the working capital limits stood at around 95% between December 2024 and December 2025. The company has repayment obligations of Rs. 0.6 crore in FY2026, which are likely to be serviced comfortably through expected retained cash flows of Rs. 9-12 crore. Overall, ICRA expects RCPL to be able to meet its near-term commitments comfortably through internal cash flow generation, in the absence of any major capital expenditure plans.

Rating sensitivities

Positive factors – ICRA could upgrade RCPL’s rating if there is a material increase in the scale of operations and earnings, leading to an improvement in debt coverage metrics while maintaining an adequate liquidity position. Specific credit metrics that could lead to a rating upgrade include interest coverage of more than 3.5 times on a sustained basis.

Negative factors – Pressure on RCPL’s rating could arise if there is a sharp decline in revenues and earnings or a significant rise in debt levels on a sustained basis, or any significant increase in loans and advances to Group companies impacting its liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Automobile Dealers
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the company.

About the company

RCPL was incorporated in 2009 and has been operating as the sole authorised dealer for Volkswagen India Private Limited across all districts of Tamil Nadu, except Chennai and Vellore. RCPL has nine 3S showrooms, seven sales outlets, and three workshops. RCPL is currently managed by its three directors, Mr. S. Jagadeesan, Mr. J. Sudersan, and Mr. K.S. Sasikumar. The company has also won several awards, including the Diamond Pin Global Award (2015), Gold Pin National Award (2013, 2014), Best Performance Customer Care Award (eight times from 2010 to 2017), Best of the Best Dealer Award (2021), Outstanding Retail Performance Award, and Overall Excellence Award (2018, 2019).

Key financial indicators (audited)

RCPL	FY2024	FY2025
Operating income	433.9	417.4
PAT	3.4	(1.4)
OPBDIT/OI	3.2%	1.8%
PAT/OI	0.8%	-0.3%
Total outside liabilities/Tangible net worth (times)	1.7	1.6
Total debt/OPBDIT (times)	6.0	9.9
Interest coverage (times)	1.8	1.0

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	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Jan 30, 2026	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	71.00	[ICRA]BBB-(Stable)	Sep 29, 2025	[ICRA]BBB-(Stable) ISSUER NOT COOPERATING	Oct 24, 2024	[ICRA]BBB-(Stable)	Jul 03, 2023	[ICRA]BBB-(Stable)	Jun 15, 2022	[ICRA]BBB-(Stable)
Unallocated limits	Long term	19.00	[ICRA]BBB-(Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based - Working capital	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	Electronic Dealer Finance Scheme (EDFS)	NA	-	NA	63.00	[ICRA]BBB- (Stable)
NA	Cash Credit	NA	-	NA	8.00	[ICRA]BBB- (Stable)
NA	Unallocated limits	NA	-	NA	19.00	[ICRA]BBB- (Stable)

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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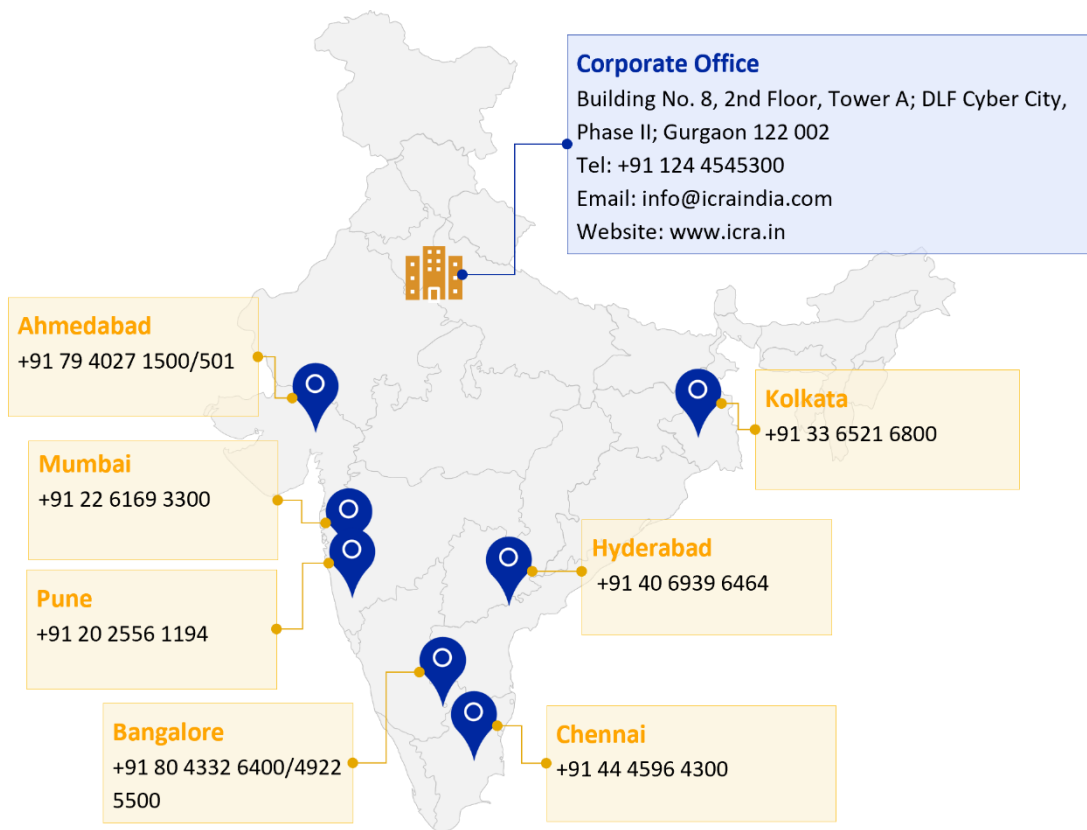
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