July 21, 2026

Padmaja Motors Private Limited: Rating upgraded to [ICRA]BBB+ (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term - Fund based cash credit	1.50	1.50	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)	RBI
Long-term - Fund based - Others	54.80	54.80	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)	RBI
Long-term – Unallocated	0.20	0.20	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)	RBI
Total	**56.50**	**56.50**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating upgrade factors in the expected improvement in Padmaja Motors Private Limited's (PMPL) credit profile, driven by the sustained growth in its scale of operations, leading to stronger earnings and improved debt metrics. PMPL, an authorised dealer of Suzuki Motorcycle India Private Limited's (Suzuki) two-wheelers (2W) in Visakhapatnam and Vijayawada of Andhra Pradesh and Hyderabad, Telangana, recorded a healthy revenue growth of around 14% in FY2026, despite supply-side constraints, supported by healthy demand across its operating markets, Hyderabad, Vijayawada and Visakhapatnam, along with improved realisations. ICRA expects the company's revenue growth to remain healthy at 15-20% in FY2027, aided by the addition of satellite sales outlets, which will improve the company's penetration, and healthy demand. The company's OPM improved to 7.6% in FY2026 from 5.3% in FY2025, supported by a higher contribution from the spares and service segment, which earns relatively better margins. However, the company's margins are expected to moderate in FY2027, given the increased overheads towards store additions. The company's profitability has historically remained higher than that of its peers, aided by favourable gross margins offered by the OEM, a healthy share of spares and service revenues in the overall revenue mix (around 22-23%), and its strong market position as the sole Suzuki two-wheeler dealer in the Vijayawada and Visakhapatnam market.

The rating also considers PMPL's long track record and established position as Suzuki's sole authorised 2W dealer in Visakhapatnam and Vijayawada of Andhra Pradesh and one of the authorised dealers of Suzuki 2Ws in Hyderabad, Telangana. The company has 54 sales and service outlets in Andhra Pradesh and Telangana as on June 30, 2026. The company has a strong market share in these micro markets. The rating also considers the company's comfortable financial profile, characterised by low debt levels resulting in comfortable capital structure and coverage metrics as indicated by interest cover of 51.2 times in FY2026. The company's financial profile is expected to remain comfortable, going forward as well.

The ratings are, however, constrained by the company's low margins inherent to the dealership business. Nevertheless, the company's margins are supported by a healthy share of revenues from sale of spares and service, which command higher margins. Moreover, ICRA notes that PMPL has parked its excess funds in a promoter-owned entity, Varun Motors Private Limited, in the form of loans and advances and it receives an interest of 9% per annum on the same. The loans and advances extended by PMPL to its Group companies increased to Rs. 46.8 crore as on March 31, 2026, from Rs. 33.9 crore as on March 31, 2025, which has limited the improvement in its liquidity position. The ratings are further constrained by the intense competition in the automobile dealership industry in India and the limited bargaining power of dealers, with pricing decided by principal original equipment manufacturers (OEMs).

The Stable outlook reflects ICRA's expectations that PMPL will continue to with its healthy growth in revenues and earnings, supported by expected increase in sales volume driven by the planned expansions of sales outlets during the year, while maintaining healthy debt metrics.

Key rating drivers and their description

Credit strengths

Established presence as sole authorised dealer of Suzuki two-wheelers in its key markets – PMPL is the only dealer of Suzuki two-wheelers (2W) in Visakhapatnam and Vijayawada, where Suzuki commands a dominant market share and enjoys a strong demand for its vehicles. The company is also one of the authorised dealers of Suzuki 2Ws in Hyderabad. However, it faces competition from dealers of Suzuki and other OEMs in Hyderabad. The promoters, who are the founders of the Varun Group, have long experience in the dealership industry with authorised dealerships for OEMs across passenger vehicles (PV), commercial vehicles (CV), and 2W segments.

Comfortable financial profile with healthy capital structure and coverage metrics – The company's financial profile is comfortable, marked by low debt levels (nil as on March 31, 2026) resulting in healthy capital structure and coverage metrics (interest coverage of 51.2 times in FY2026). The company's debt metrics are expected to remain comfortable, going forward as well.

Credit challenges

Low margins inherent to automotive industry – The dealership business is characterised by low margins and bargaining power of the dealer, as margins on vehicles are determined by the principal. Inherently low value addition and intense competition impact dealers' margins, especially on new vehicle sales, which dominate the revenue mix. The company's margins have, however, been supported by healthy proportion of revenues from sale of spares and service (around 23% in FY2026).

High advances extended to Group company, limiting improvement in its liquidity position – The company has been parking excess funds in a promoter-owned entity, Varun Motors Private Limited, in the past three years as loans and advances, which increased to Rs. 46.8 crore as on March 31, 2026, from Rs. 33.9 crore as on March 31, 2025, limiting improvement in its liquidity position. However, these loans and advances are interest bearing and generate interest income for the company.

Intense competition from other OEMs and dealers of same OEM – The automotive dealership industry is very competitive with stiff competition from other dealers of the same OEM as well as dealers of other OEMs, which exerts pressure on PMPL's sales volumes and margins. Moreover, the incremental investment requirement to regularly upgrade the dealership outlets, in line with the principal's marketing strategy, keeps the cash flows under pressure. PMPL's operations are limited to Visakhapatnam, Vijayawada, and Hyderabad, exposing the firm to demand and adverse event risks specific to these markets.

Liquidity position: Adequate

The company's liquidity position is adequate with a buffer of Rs. 55-58.0 crore in working capital limits and free cash balance of Rs. 2.1 crore as on March 31, 2026, against capex plans of Rs. 3-6 crore in FY2027, which is expected to be funded entirely by internal accruals. The company does not have any repayment obligations.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates a sustained improvement in its scale of operations, supported by the expansion of its showroom network and healthy demand, while maintaining healthy profitability, and comfortable capital structure and coverage metrics.

Negative factors – The rating could be downgraded if there is a substantial decline in the revenues or earnings, or a significant increase in loans and advances extended to Group entities, resulting in weaker liquidity and lower cash accruals. The rating could also be downgraded if the interest coverage ratio decreases below 3.0 times on a sustained basis.

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 PMPL.

About the company

Padmaja Motors Private Limited (Padmaja Motors) was started as a partnership firm in 2017, before being converted into a private limited company in FY2021. The company is promoted by Mr. V. Prabhu Kishore and Mr. V. Varun Dev, founders of the Varun Group. The company is the sole authorised dealer for Suzuki two-wheelers in Visakhapatnam and Vijayawada, Andhra Pradesh and an authorised dealer of Suzuki two-wheelers in Hyderabad, Telangana. While the company has been operating in Visakhapatnam and Vijayawada since 2017, the Hyderabad operations commenced in December 2022.

Key financial indicators (audited)

	FY2025	FY2026*
Operating income	338.2	386.2
PAT	11.6	18.5
OPBDIT/OI	5.3%	7.6%
PAT/OI	3.4%	4.8%
Total outside liabilities/Tangible net worth (times)	0.4	0.1
Total debt/OPBDIT (times)	1.0	-
Interest coverage (times)	10.5	51.2

*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

		Current (FY2027)		Chronology of rating history for the past 3 years					
			FY2027	FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	July 21, 2026	Date	Rating	Date	Rating	Date	Rating
Long Term-Fund based Cash Credit	Long term	1.50	[ICRA]BBB+ (Stable)	Jun 09, 2025	[ICRA]BBB (Stable)	Jun-28, 2024	[ICRA]BBB (Stable)	-	-
Long Term-Fund based-Others	Long term	54.80	[ICRA]BBB+ (Stable)	Jun 09, 2025	[ICRA]BBB (Stable)	Jun-28, 2024	[ICRA]BBB (Stable)	-	-
Long Term – Unallocated	Long term	0.20	[ICRA]BBB+ (Stable)	Jun 09, 2025	[ICRA]BBB (Stable)	Jun-28, 2024	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Cash Credit	Simple
Long-term– fund-based - Others	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	Financial Sector Regulator#
NA	**Long-term fund based – Cash Credit**	NA	NA	NA	1.50	[ICRA]BBB+ (Stable)	RBI
NA	**Long-term– fund-based - Others**	NA	NA	NA	54.80	[ICRA]BBB+ (Stable)	RBI
NA	**Long-term-Unallocated limits**	NA	NA	NA	0.20	[ICRA]BBB+ (Stable)	RBI

Source: Company

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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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ABOUT ICRA LIMITED

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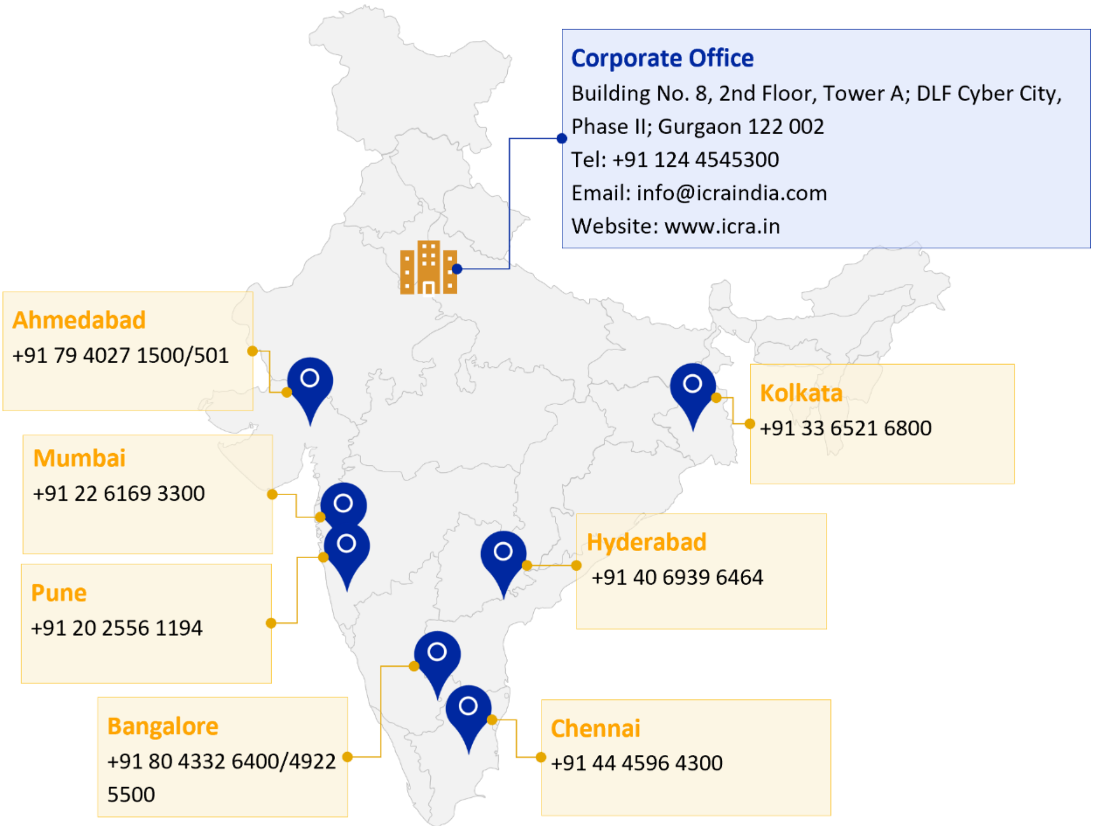

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