

JULY 16, 2014

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF JEEWAN MOTORS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	30.00	CARE BB (Double B)	Reaffirmed
Short-term Bank Facilities	1.00	CARE A4 (A Four)	Reaffirmed
Total Facilities	31.00		

Rating Rationale

The ratings assigned to the bank facilities of Jeewan Motors Private Limited (JMPL) continue to remain constrained on account of its weak financial risk profile marked by volatility in total operating income, low and fluctuating profitability, its low capitalization, high leverage and weak debt coverage indicators. The rating is further constrained due to its high working capital intensity of its operations and challenging environment for the automobile dealership industry due to subdued demand amidst stiff competition within the industry.

The ratings, however, derive strength from the vast experience of the promoters in automobile dealership business, established operation of JMPL along with long-standing association with key principals, Maruti Suzuki India Limited (MSIL) & VE Commercial Vehicles Ltd (VECVL) and its diversified revenue stream with a presence in both commercial vehicle and passenger car segments.

JMPL's ability to increase its scale of operations along with improvement in profitability in a highly competitive automobile dealership business and improvement in capital structure are the key rating sensitivities.

Background

JMPL was incorporated in 1998 as a closely held company promoted by the Chhatwal family based out of Bhopal, Madhya Pradesh. JMPL is an authorized dealer of MSIL and VECVL. Having initially commenced operations with the dealership of MSIL, JMPL started dealership of VECVL in the year 2000 and is currently the only dealer of VECVL in the city of Bhopal. VECVL is a 50:50 joint venture between Eicher Motors Limited (EML) and the Volvo group of Sweden. All the showrooms and service centres of JMPL are supported with 3-S facilities (Sales, Service and Spare-parts).

JMPL reported a PAT of Rs.0.44 crore on a total operating income of Rs.156.86 crore in FY14 (provisional; refers to the period April 1 to March 31) as against a PAT of Rs.0.53 crore on a total operating income of Rs.179.42 crore in FY13 (audited).

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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