

Isuzu Motors India Private Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Isuzu Motors India Private Limited (IMI) factors in strong parentage and track record of support extended with significant shareholding by the Isuzu group. The rating also derives comfort from Isuzu Motors Limited's (Japan, parent rated JCR A+/Stable/A-1) strong brand image with growing distribution network and long track record of operations. The rating also factors in healthy total operating income (TOI) in FY24 (refers to April 01 to March 31) aided by exports to Gulf Cooperation Council (GCC) countries through group entities and comfortable capital structure as a result of equity infusion at regular intervals by promoters.

However, rating strengths are tempered by susceptibility to fluctuations in raw material prices and foreign exchange, imparting volatility to profitability. Rating strengths are also tempered by the presence of cyclical in the commercial vehicle (CV) industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial and significant scaling up of operations, with sales remaining above ₹5,000 crore on a consistent basis, aided by improved performance, resulting in an improvement in its profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to over 5%.

Negative factors

- Deterioration in the overall gearing to 0.2x.

Analytical approach: Standalone

For arriving at the rating, CARE Ratings Limited (CARE Ratings) has used its notch-up framework, factoring in the support it derives by being part of the Isuzu group. The Isuzu group has significant managerial, operational and financial linkage among its entities.

Outlook: Stable

The 'Stable' outlook reflects that the financial risk profile of the company is expected to remain comfortable with strong cash and cash equivalents.

Detailed description of key rating drivers:

Key strengths

Strong parentage and track record of support extended with significant shareholding by Isuzu Group

The Isuzu group is the company's largest shareholder, holding 62% through Isuzu Motors Limited, Japan (ultimate holding company; 19.84%) and Isuzu Motors Asia Limited, Singapore (wholly owned subsidiary of Isuzu Motors Limited, Japan) (42.16%), lending managerial and strategic support. The rest 38% stake is held by Mitsubishi Corporation. Promoters have infused ₹3,000 crore in the company from FY18-FY24 to fund its losses. Promoters have active representation in the company's board and senior management, including the Managing Director and Deputy Managing Director.

Strong brand image with growing distribution network

Isuzu Motors Limited built a strong brand image over the years with a diversified product profile consisting of commercial vehicles, utility vehicles and diesel engines, which are sold in over 150 countries worldwide and holds No.1 market position in 35 countries. Over the years, Isuzu has become a synonymous name in the pickup trucks segment. Isuzu Motors Limited has expanded its distribution network and now has operations in 25 countries through which it delivers its products to over 150 countries. Over the years, the company has launched products in the mid-size bus and light-duty, medium-duty and heavy-duty truck segments. IMI's product line-up includes DMAX pickup, S Cab crew cab, V Cross crew cab, mu-X SUV and ambulance.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Comfortable capital structure as a result of equity infusion at regular intervals

The company has comfortable capital structure as a result of equity infusion by promoters on a regular basis to fund the company's losses. Promoters have infused ₹3,000 crore into the company in the last seven years. The company does not have term debts or outstanding working capital borrowings from banks or financial institutions as on September 30, 2024. The company had availed term loan of ₹150 crore as on March 31, 2020, in COVID-19 period, which was repaid within eight months. Going ahead, the company is likely to remain debt free. Total outside liabilities to tangible net worth (TOL/TNW) improved to 0.73x as on March 31, 2024 (vs 0.89x as on March 31, 2023), primarily considering reduction in trade payables and accretion of profits in FY24. The company has reported profit after tax (PAT) of ₹43.34 crore in FY24 (against PAT of ₹12.67 crore in FY23 and loss of ₹168.21 crore in FY22).

Healthy TOI supported by sales to group entities

In FY24, the company reported healthy TOI of ₹2,531.67 crore. For its business operations in India, the company primarily imports completely knocked down (CKD) and parts from its group entities. The company is also engaged in manufacture and sale of vehicles, engines and components and renders business support services to its group entities. IMI's revenue profile is concentrated with Isuzu group, contributing 80% of its revenue from sale of products. IMI is a key part of the global growth strategy of Isuzu Motors Limited. To expand existing businesses and increase revenues in the LCV business as a part of its midterm business plan, Isuzu Motors Limited undertook a shift in its structure to leverage and utilise its existing capacities in its three plants in Thailand, India, and South Africa by promoting collaboration between the plants such as sharing manufacturing capacities, among others. As a result, majority IMI's revenues are from Isuzu Motors International Operations (Thailand) Co. Limited. Prior to FY21, there were no sales to group companies in Thailand. As the company predominantly sells to group companies, counterparty risk is mitigated to that extent. It exports to GCC countries, Egypt and neighbouring countries including Nepal, Bhutan, and Bangladesh with GCC countries being the prime market, contributing the most followed by Egypt. IMI is primarily export player with exports contributing 86% to its total revenue in FY24 (PY: 84%). IMI diversified its revenue base which was concentrated on revenue from sale of vehicles from 91% in FY17. In FY24, revenues from vehicles contributed to 84% against 77% in FY23. Engines & transmissions and Accessories & vehicle parts contributed 6% (PY: 7%) and 8% (PY: 8%) to revenues respectively in FY24.

Liquidity: Strong

Liquidity is marked strong despite losses at operating level till FY22 considering strong cash and cash equivalents of ₹613.37 crore as on March 31, 2024, against nil debt repayment obligations. The company does not have term debt or outstanding working capital borrowings from banks or financial institutions as on September 30, 2024. The company has unutilised working capital limits of ₹175 crore as on September 30, 2024. Liquidity is also supported by regular equity infusion from parent and CARE Ratings expects need-based support to continue from Isuzu group going forward.

Key weaknesses**Susceptibility to fluctuation in forex rates**

IMI is primarily engaged in importing, assembling and exporting pickup trucks and auto components and major portion of the business is transacted in Japanese Yen/ Thai Bhatt/ USD exposing the company to foreign exchange fluctuation risk through materials/ capital goods imported from the group companies in Japan and Thailand. Around 60% of the total raw material purchases were imported from group companies outside India. However, imports are naturally hedged to a certain extent as IMI also exports to its group companies outside India, which contributed 86% (PY: 82%) to total revenue from operations in FY24. The company has reported forex gain of ₹0.45 crore in FY24 against forex loss of ₹10.66 crore in FY23. The company's margins remain exposed to forex rate fluctuation.

Exposed to commodity inflation

Key raw materials required for auto OEMs are steel, iron, aluminium, copper, rubber and glass. Prices of metals (especially steel) and rubber have elevated since H2FY21. Most OEMs have undertaken increase in prices to mitigate impact of higher input costs. However, passing on increase in prices entirely to the end-consumer is challenging, especially in areas of intense competition and lower demand. OEM margins are subject to variations in raw material prices. Prices started to cool off from April 2022. However, they are still higher than pre-COVID-19 levels.

Exposed to cyclical in the CV industry

IMI is exposed to cyclical in the CV industry, which leads to volatility in cash flows and profit margins. The automotive industry is cyclical in nature as it derives its demand from investments and spending by the Government and individuals. Economic boom is generally accompanied by high sales in the automobile industry, while sales usually suffer during economic downturns. LCV sales are driven by robust e-commerce and logistics sectors and the need to transport agricultural produce, fastmoving consumer goods (FMCG) and dairy products over short distances.

Applicable criteria

- [Definition of Default](#)
- [Factoring Linkages Parent Sub JV Group](#)
- [Issuer Rating](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Commercial Vehicles](#)
- [Manufacturing Companies](#)
- [Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Agricultural, commercial & construction vehicles	Commercial vehicles

IMI is a joint venture between Isuzu Motors Limited (rated JCR A+/Stable/J-1), Japan and Mitsubishi Corporation, Japan, established in August 2012 in India, having its manufacturing plant in Sri City, Andhra Pradesh, with a production capacity of 50,000 units per annum. The plant has Isuzu's global manufacturing standards to ensure vehicles made are of the same quality and reliability as anywhere in the world. Isuzu currently sells a range of Isuzu DMax pick-up trucks that includes variants such as Regular Cab Flat Deck and S-CAB. Isuzu also sells the MU-X, a large-sized sports utility vehicle (SUV) in automatic transmission in India. The company also manufactures engines and transmissions and has sub-contracted the manufacturing process. Isuzu Motors Limited, Japan holds 19.84% & Isuzu Motors Asia Limited, Singapore holds 42.16% and Mitsubishi Corporation, Japan owns 38% stake, in the company. Majorly 62% of the stake is held by the Isuzu Group.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	2,823.95	2,531.67
PBILDT	21.66	56.41
PAT	12.94	43.34
Overall gearing (times)	0.01	0.02
Interest coverage (times)	2.06	5.93

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Not applicable

Lender details: Not applicable

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE A; Stable	-	1)CARE A; Stable (05-Jan-24)	1)CARE A; Stable (27-Dec-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not available

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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