Jayanti Motors Private Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	92.35 (Enhanced from 66.62)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	0.65 (Reduced from 3.38)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Jayanti Motors Private Limited (JMPL) factors in leveraged capital structure, marked by high overall gearing, low profitability margins and weak debt coverage indicators. The ratings also remain constrained due to the cyclical nature of automobile industry, pricing restriction and margin pressure arising out of the intense competition, regional concentration and linkage to the fortunes of Original Equipment Manufacturer (OEM) KIA Corporation. The ratings, however, continue to derive strength from the rich experience of the promoters in auto dealership industry, diversified sources of revenue and comfortable operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations, marked by total operating income (TOI) above Rs.600 crores on a sustained basis.
- Improvement in profitability margins, marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 2.50% on a sustained basis.
- Improvement in capital structure, marked by overall gearing below 1.05x on a sustained basis.

Negative factors

- Decline in TOI by more than 20% or PBILDT margin falling below 1.25% on a sustained basis.
- Sustained deterioration in capital structure, marked by overall gearing above 4.25x on a sustained basis.
- Decline in interest coverage below 1.10 times on sustained basis.
- Elongation of operating cycle beyond 60 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects the CARE Ratings Limited's (CARE Ratings') opinion that the company shall continue to benefit from the long standing experience of the promoters in the auto dealership industry.

Detailed description of the key rating drivers

Key weaknesses

Sustained scale of operations with low profitability margins

In FY24 (refers to the period from April 01, 2023, to March 31, 2024), the company's scale of operations stood largely in line with the previous year with TOI (total operating income) of Rs.525.01 crore (PY: Rs.511.54 crore). Further, it achieved a TOI of Rs.334.46 crore in 8MFY25 (refers to the period from April 01, 2024 to November 30, 2024) (PY: Rs.343.52 crore). Moreover, the company's profitability margins remain low, marked by PBILDT and PAT (profit after tax) margin of 1.50% (PY: 1.53%) and 0.34% (PY: 0.73%) respectively in FY24, largely due to intense competition in the industry, as it offers discounts and exchange scheme to attract customers and capture market share. Going forward, with management's continued focus on increasing the revenue from service segment, PBILDT margin is expected to improve to ~2% in near term.

Leveraged capital structure and weak debt coverage indicators

JMPL's capital structure continues to remain leveraged, as marked by overall gearing of 4.69x as on November 30, 2024 (March 31, 2024: 3.67x), on account of the high working capital borrowings and increase in term debt, largely to fund the inventory requirement at two new showrooms and for setting up of two new workshops, in Noida and Hapur, Uttar Pradesh. Further, the company's debt coverage indicators remain weak, marked by interest coverage and total debt too gross cash accruals (TDGCA) of 1.33x (PY: 2.22x) and 22.41x (PY: 9.59x) respectively in FY24, due to high debt levels against low profitability margins.

Pricing restrictions and margin pressure arising out of intense competition

The margin on products is set at a particular level by OEM, KIA Corporation, hence restricting the company to earn incremental income. KIA Corporation has a large dealership network which limits bargaining power of a dealer with customer. The market also faces an aggressive competition from various other established auto dealers of companies such as Maruti Suzuki, TATA,

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

Hyundai, Honda, among others. Further, OEMs are encouraging dealerships to improve sales penetration, thereby increasing competition amongst the dealers. In order to capture the market share, the auto dealers have to offer better buying terms like providing credit period or allowing discounts on purchases, which create pressure on the margins and negatively impact their earning capacity.

Regional concentration and linkage to the fortunes of KIA Corporation
The company's operations are geographically concentrated in the region of Delhi-NCR and Uttar Pradesh. Further, it procures its products directly from OEM, KIA Corporation. Thus, the fortunes of the company are directly linked to its OEM which exposes its revenue growth and profitability to the OEM's future growth prospects. Therefore, any impact on business and financial profile of the OEM will also have an impact on the growth prospects of the company.

Cyclical nature of the industry
The automotive sector is dependent on the economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. A hike in interest rate increases the costs associated with the purchase leading to purchase deferral. The fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of consumers, influencing the purchase decision. The policies implemented by government also have a direct bearing on the sale of passenger vehicles.

Key strengths

Experienced promoters
Incorporated in 2011, JMPL is promoted by Saluja family. The company started automobile dealership of KIA in Delhi in 2020. It is currently run and managed by Mr. Raj Kumar Saluja, Mr. Mayank Saluja and Ms. Kritika Saluja as directors. Mr. Raj Kumar Saluja has a rich experience of more than three decades in auto dealership business through his association with this company and other group entities engaged in the similar business. The other two directors are graduates with each having an industry experience of over a decade through their association with JMPL. They are in turn supported by well qualified and experienced management team.

Diversified sources of revenue
JMPL operates four sales showrooms (03 new car and 01 used car) and three workshops (for sale of spares and accessories and to provide service) in Delhi NCR region. It derived ~93% of TOI for FY24, from sale of passenger cars (PY: ~97%), ~5% from sale of spares and accessories and services (PY: ~2%), and balance 2% from incentives and commission income (PY: ~1%). By providing all the services under one roof, JMPL has been able to attract many customers.

Comfortable operating cycle
JMPL's operating cycle remains comfortable at 28 days in FY24 (PY: 22 days). The company is required to maintain the stock of different models of vehicles and spares in their showrooms in order to ensure adequate availability and visibility. The average inventory holding period stood at 21 days in FY24 (PY: 17 days). Though the sales to customers are made on "Cash and Carry" basis however, ~10% of the vehicles are bought through financing basis. To comply with the industry standards, it provides credit period to its customers of around a week. Further, JMPL procures passenger cars by making full advance payment to the OEM. However, for consumables it receives a credit period of around two weeks from its suppliers.

Liquidity: Stretched
JMPL's liquidity position remains stretched as reflected by high utilization of working capital borrowings at ~90%-100% in trailing 12 months ended November 30, 2024. The term loans repayment obligations for FY25 are close to Rs.3.15 crore as against the expected gross cash accruals (GCA) of ~Rs.4 crore. However, JMPL has free cash and bank balances of ~Rs.4.55 crores as on December 20, 2024. The company is not planning to incur any major capex in the near to medium term.

Applicable criteria

Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Short Term Instruments
Service Sector Companies
Auto Dealer

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

JMPL operates authorized KIA dealership since 2020 in Delhi-NCR and Uttar Pradesh regions. It runs three showrooms for sale of passenger cars at Lajpat Nagar, Mathura Road, and Okhla Phase I in Delhi. For sale of used cars, it has one sales showroom in East of Kailash, Delhi. Further, it has two workshops for service and sale of spares and accessories at Okhla Phase I and II in Delhi. In current fiscal year, JMPL started two new sale showrooms and two new workshops in Noida and Hapur, Uttar Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)*
Total operating income	511.54	525.01	334.46
PBILDT	7.81	7.85	5.43
PAT	3.71	1.77	0.90
Overall gearing (times)	2.74	3.67	4.69
Interest coverage (times)	2.22	1.33	1.12

A: Audited, UA: Unaudited, Note: 'the above results are latest financial results available'.
*Refers to the period from April 01, 2024, to November 30, 2024.

Status of non-cooperation with previous CRA: CRISIL Ratings has retained the ratings assigned to the bank facilities of JMPL, and simultaneously moved the ratings under the Issuer Not Cooperating (INC) category, vide its press release dated July 24, 2024, on account of its inability to carry out review of ratings in the absence of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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
Fund-based - LT - Electronic Dealer Financing Scheme		-	-	-	85.00	CARE BB+; Stable
Fund-based - LT - Term Loan		-	-	30-09-2032	7.35	CARE BB+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	0.65	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the 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	Fund-based - LT - Electronic Dealer Financing Scheme	LT	85.00	CARE BB+; Stable	-	1)CARE BB+; Stable (24-Jan-24)	-	-
2	Fund-based - LT - Term Loan	LT	7.35	CARE BB+; Stable	-	1)CARE BB+; Stable (24-Jan-24)	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	0.65	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (24-Jan-24)	-	-

LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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