Brajesh Automobiles Private Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	100.00 (Enhanced from 73.00)	CARE BB+; Stable	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Brajesh Automobiles Private Limited (BAPL) factors in increase in the company's scale of operations in FY24 (refers to April 01 to March 31) and 9MFY25 attributable to higher demand in utility vehicles and 3 wheelers, new model launches by the principal and promotional strategies adopted by the company. However, the rating is primarily constrained by low net worth base, restricted bargaining power and fortunes linked with growth plans of original equipment manufacturer (OEM) i.e Mahindra & Mahindra (M&M), limited geographical presence, inherently competitive and cyclical auto industry and moderate capital structure and debt protection metrices. These weaknesses are partially offset by the company's established track record and extensive experience of promoters, long standing relationships with OEM and satisfactory operating cycle despite increasing debtors leading to negative cash flow from operations.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to the long-term bank facility (Bank Guarantee) of BAPL with immediate effect, as it has been reclassified under cash credit limit per latest sanction letter and there is no outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations beyond ₹400 crore with improving operating margins (PBILDT margin) above 3% on a sustained basis.
- Improving net worth base above ₹50 crore.

Negative factors

- Declining scale of operations below ₹200 crore and operating margins below 2.00% on a sustained basis.
- Deteriorating capital structure as marked by total outside liabilities to total net worth (TOL/TNW) above 3x on a sustained basis.
- Increasing collection period beyond 45 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company will continue to benefit from experience of promoters in auto dealership industry and established association with its OEM translating to adequate performance in the near-to-medium term.

Detailed description of key rating drivers:

Key weaknesses

Restricted bargaining power and fortunes linked with OEMs' growth plans

BAPL's profitability is low because of the inherent nature associated in dealership operations. The company has limited negotiating power with the principal and has no control over selling price of vehicles, which is fixed by M&M. Therefore, BAPL's performance is linked to the performance and fortunes of its principal. PBILDT margin remained low over the last three years and remained between 2-3.40% primarily due to intense competition. The company's financial risk profile has a high degree of correlation with the performance of OEM's vehicles in the market and their ability to launch new products. However, given the OEM is one of the market leaders in passenger vehicles (PV) segment and light and commercial vehicle (LCV), the off-take risk is moderated to some extent.

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

The PBILDT margins are expected to sustain at similar levels in the near-to-mid-term.

Limited geographical presence
The company's scale of operations remained moderate over the years due to its limited geographical presence as it has dealership with the OEM for passenger vehicles in tier II and tier III cities of Bihar only. As a result of small scale of operations, the company does not benefit from economies of scale and in financial stress, this may impact its business compared to other companies in the same field, who have showrooms across regions.

Inherent competition and cyclical auto industry
The company remains exposed to competition from products of other OEM's and dealers operating in the same region. To capture market share, auto dealers offer better buying terms such as discounts on purchases. However, such discounts create margin pressure and negatively impact the company's earning capacity. The company's association with its customers, and its established network helps sustain competition to an extent and maintain its strong market position in the region. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. Thus, the company faces significant risks associated with cyclical auto industry.

Moderate capital structure and debt protection metrices
The company's capital structure moderated with overall gearing standing at 1.45x as on March 31, 2024, against 1.12x as on March 31, 2023. The moderation is considering increase in total debts (TD) levels from ₹42.58 crore in FY23 to ₹64.20 crore in FY24 attributed to increase in working capital utilisation to support enhanced scale of operations.
However, the debt protection matrices improved marked by TD to gross cash accruals (TD/GCA) at 8.12x in FY24 (10.95x in FY23). The company's interest coverage improved from 2.86x in FY23 to 4.12x in FY24.
With anticipated healthy accruals in the coming years, the company's financial risk profile is expected to improve in the medium term.

Low net worth base
Although the net worth base improved over the last few years due to accretion of profit to reserves and stood at ₹44.25 crore as on March 31, 2024, it continues to remain low.

Key strengths
Consistent in scale of operations in FY24 and 9MFY25
The company's total operating income (TOI) grew substantially by ~33% to ₹443.35 crore in FY24 against ₹333.42 crore in FY23 mainly due to higher demand in utility vehicles and 3 wheelers, new model launches by the principal and promotional strategies adopted by the company. The revenue from passenger vehicles has seen increase of ~45% from ₹150.92 crore in FY23 to ₹218.47 crore in FY24 indicating strong demand and successful new model launches. The company has achieved sales of ₹356.07 crore in 9MFY25.
The company's scale of operations are expected to improve in the mid term, given the favourable demand scenario for PVs in which the principal M&M commands a healthy market share.

Established track record and extensive experience of promoters
BAPL is engaged in automobile dealership business of M&M, since 1987. Over the years, BAPL increased its presence in Bihar. It operates service stations, sells spare parts, and has tie-ups for vehicle finance and insurance. This allows it to provide a comprehensive range of services to its customer at a single point.

Long standing relationships with OEM
BAPL has a long-standing association with its OEM since 1986, as it has authorised dealership of M&M which is an Indian automobile manufacturer. As on December 2024, M&M has a market share of 12.18% in the Indian passenger car market (per data released by the Federation of Automobile Dealers Associations).

Satisfactory operating cycle despite increasing debtors
The company's operating cycle continued to remain satisfactory and stood at 63 days as on March 31, 2024, however improved from 66 days as on March 31, 2023. The sales are either done on "Cash and Carry basis" or through vehicle financing from banks/ financial institutions and processing vehicle loans takes marginal time. This leads to an average collection period of ~30-45 days. Of the total debtors of ₹45 crore as on March 31, 2024 (PY:₹34 crore) ₹14 crore

has been outstanding for over six months. As per the management, the company has realised ~₹7-8 crore of such long standing debtors till December 2024.
Inventory management is crucial for BAPL, as it is required to stock different models of vehicles and spares in showrooms to ensure adequate availability and visibility, leading to moderate levels of inventory. The company generally maintains the inventory of ~25-30 days.
The company's operating cycle is expected to remain range bound in the ensuing years.

Liquidity: Adequate
The liquidity position is adequate marked by GCA of ₹7.91 crore against scheduled debt repayment obligations of ₹0.20 crore; supported by above unity current ratio and moderate working capital utilisation of 84% for 12-months ending December 31, 2024. Going forward, the company is projected to generate sufficient cash accruals to meet its debt repayment obligation of ₹4.50 crore in FY25 including prepayment of ₹3.20 crore. The cash and bank balance stood at ₹5.60 crore as on December 31, 2024. The cash flow from operations has been negative at ₹21 crore in FY24 owing to increase in debtors and inventory which has been mostly funded through working capital funding.
Going forward, considering above unity current ratio and sufficient cushion between debt repayment obligations and expected cash accruals with no major capex plans, CARE Ratings expects the company's liquidity will remain adequate in the near-to-medium term.

Environment, social, and governance (ESG) risks- Not applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
Auto Dealer

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated in 1986, BAPL is promoted by Ramesh Chandra Mishra (managing director) and Brajesh Mishra (executive director and son of Ramesh Chandra Mishra). BAPL has been an authorised dealer and service centre operator for Mahindra & Mahindra Limited (M&M, rated CARE AAA; Stable/A1+) for passenger cars and three-wheelers in Purnea (Bihar) since 1986. The company also provides services and spare parts. The company operates nine showrooms/workshops in Purnea, Katihar, Kishanganj, Saharsa, Madhepura, Supaul, and Araria. Currently, the day-to-day operations are overseen by Ramesh Chandra Mishra, supported by a team of experienced professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	333.42	443.35	355.77
PBILDT	6.94	13.56	11.76
PAT	2.50	6.38	NA
Overall gearing (times)	1.12	1.45	NA
Interest coverage (times)	2.86	4.12	NA

A: Audited, UA: Unaudited, NA: Not Available; 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

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-Vendor financing		-	-	-	50.50	CARE BB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	49.50	CARE BB+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	0.00	Withdrawn

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	Fund-based - LT-Working Capital Limits	LT	49.50	CARE BB+; Stable	-	1)CARE BB+; Stable (27-Mar-24) 2)CARE B; Stable; ISSUER NOT COOPERATING* (23-Nov-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (14-Oct-22)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (19-Aug-21)
2	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	1)CARE BB+; Stable (27-Mar-24)	-	-
3	Fund-based - LT-Vendor financing	LT	50.50	CARE BB+; Stable	-	1)CARE BB+; Stable (27-Mar-24)	-	-

LT: Long term

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

Annexure 4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Vendor financing	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure 5: Lender details

To view 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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