CareEdge RATINGS

J S V Motors and Constructions Private Limited

March 20, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	139.24	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from J S V Motors and Constructions Private Limited (JSVMCPL) to monitor the rating(s) vide e-mail communications dated March 11, 2025; February 25, 2025, February 13, 2025 and numerous phone calls. However, despite our repeated requests, the company has not provided the information required for carrying out the annual surveillance exercise for the ratings assigned to the instruments of JSVMCPL. Also, JSVMCPL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on JSVMCPL bank facilities will now be denoted as CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s)

The ratings have been revised on account of the non-availability of requisite information due to non-cooperation by JSVMCPL with CARE Ratings Ltd.'s efforts to undertake a review of the ratings outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The ratings remain constrained mainly on account of weak financial risk profile marked by leveraged capital structure & weak debt service coverage indicators, low profitability margins, working capital intensive nature of operations along with pricing constraints and margin pressure arising out of competition from various auto dealers in the market. However, the rating derive strength from improving scale of operations and experienced promoters and the company being authorized dealer of Hyundai Motor India Limited and Jaguar Land Rover.

Analytical approach: Standalone

Outlook: Stable
The 'Stable' outlook reflects that the company is likely to continue with its operating & financial risk profile over the medium term.

Detailed description of key rating drivers: At the time of last rating on March 29, 2024, the following were the ratings weaknesses and strengths (updated for financials for FY24 available from Ministry of Corporate Affairs).

Key weaknesses

Low profitability margins and leveraged capital structure: The company's profitability margins remained low, with PBILDT and PAT margins at 3.73% and 0.80% in FY24, respectively, compared to 3.63% and 0.39% in FY23. While PBILDT margin saw a marginal improvement, the absolute PBILDT increased to Rs. 16.04 crore in FY24 (PY: Rs. 12.21 crore), primarily due to increased scale of operations. However, the higher interest expense of Rs. 11.18 crore in FY24 (PY: Rs. 7.58 crore) impacted profitability. Despite improved PAT margin, the capital structure remained leveraged, with overall gearing at 4.92x as of March 31, 2024, compared to 5.22x as of March 31, 2023. The debt coverage indicators also remained weak, with an interest coverage ratio of 1.44x in FY24 (PY: 1.61x) and total debt to GCA at 17.72x (PY: 17.38x) due to increased debt levels.

Moderate operating cycle: The company's operating cycle increased to 47 days in FY24, compared to 32 days in FY23, primarily due to an increase in inventory holding days to 46 days (PY: 30 days). The need to stock various vehicle models and spare parts led to higher working capital requirements. While the collection period remained stable at 6 days, the credit period received from suppliers remained low at 5 days (PY: 4 days). The company's working capital limits continue to remain highly utilized (~70-80%).

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

Pricing constraints and margin pressure arising out of competition from various auto dealers in the market: Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Maruti Suzuki India Limited (MSIL), Tata Motors Limited, Hyundai Motor Company, Honda Motor Company, Toyota India etc. in the passenger vehicle segment. The margin on products is set at a particular level by Hyundai Motor India Limited and Jaguar Land Rover thereby restricting the company to earn incremental income. With the large dealership network of Hyundai Motor India Limited and Jaguar Land Rover, the bargaining power of the dealer with the customer is further reduced. The market also faces aggressive competition from various other established automobile dealers of companies like Maruti Suzuki and Tata Motors Limited etc. In order to capture the market share, the auto dealers have to offer better buying terms like providing allowing discounts on purchases which create pressure on margins and negatively impact the earning capacity of the company.

Limited bargaining power with principal automobile manufacturer: Being primarily into auto dealership business, JSV's business model is largely in the nature of trading wherein profitability margins are inherently thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of products is set at a particular level by the principal manufacturer thereby restricting any incremental income for JSV.

Key strengths

Experienced management coupled with long track record of operations: The company was incorporated in 2007 and promoted by Mr. Jatin Verma. He has an experience of around two decades in the dealership business through his association with Hyundai. Mr. Pankaj Verma and Mr. Jai Shankar Verma also have relevant experience through their association with the company. The company started its commercial operations in 2007 and has long track record in the industry as compared to other established players. It currently operates through two 3S facility (Sales, Service, Spares). Further, company has a dedicated team of marketing and sales professionals, service in-charge and customer relation officers, who have around one and half decade of experience in their respective fields.

Moderate albeit improving scale of operations: The company's total operating income (TOI) improved by 28% to Rs. 430.01 crore in FY24 (PY: Rs. 336.02 crore) due to strong demand in the industry. The gross cash accruals (GCA) also improved to Rs. 5.89 crore in FY24 (PY: Rs. 5.33 crore), reflecting the overall growth in operations. The revenue mix continues to comprise income from vehicle sales, sale of spare parts & accessories, job work, and repairs, with some contribution from the sale of old vehicles.

Liquidity: Stretched

The company's liquidity position remains stretched due to high debt obligations and increased working capital requirements. The gross cash accruals (GCA) of Rs. 5.89 crore in FY24 remain low against term loans of Rs. 39.59 crore in FY24. While the cash and cash equivalents remained low at Rs. 2.20 crore as of March 31, 2024 (PY: Rs. 2.39 crore), the working capital utilization continued to remain high (~70-80%). The company's operating cycle increased to 47 days in FY24, compared to 32 days in FY23, primarily due to an increase in inventory holding days to 46 days (PY: 30 days).

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default]
[Policy in respect of non-cooperation by issuers]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Auto Dealer]

About the company and industry

Industry classification

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

JSVMCPL, incorporated in 2007 is an authorized dealer of Hyundai Motor India Limited and Jaguar Land Rover, catering to Uttar Pradesh for its sales channel. At present company has 3 showrooms for Hyundai, one for Jaguar Land Rover (JLR) and 5 workshops The company manages its operations through its 3S (Sales, spare and service) facility located in Lucknow and Barabanki, Uttar

Pradesh. The showroom has attached workshop facility for the post sales services of cars. Mr. Jatin Verma, who has more than 15 years of experience in the dealership business, is the Chairman and MD of JSVMCPL and is ably assisted by a qualified management team in the day-to-day operations of the company.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	285.74	336.02	430.01
PBILDT	11.52	12.21	16.04
PAT	0.85	1.31	3.46
Overall gearing (times)	4.04	5.22	4.92
Interest coverage (times)	1.77	1.61	1.44

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

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-Cash Credit	-	-	-	-	6.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	-	83.25	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	March, 2032	12.82	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	March, 2032	37.17	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-Term Loan	LT	37.17	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Dec-23)	1)CARE BB; Stable (28-Sep-22) 2)CARE BB; Stable (18-May-22)	1)CARE BB; Stable (12-Nov-21)
2	Fund-based - LT-Cash Credit	LT	6.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Dec-23)	1)CARE BB; Stable (28-Sep-22) 2)CARE BB; Stable (18-May-22)	1)CARE BB; Stable (12-Nov-21)
3	Fund-based - LT-Electronic Dealer Financing Scheme	LT	83.25	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Dec-23)	1)CARE BB; Stable (28-Sep-22) 2)CARE BB; Stable (18-May-22)	1)CARE BB; Stable (12-Nov-21)
4	Fund-based - LT-Term Loan	LT	12.82	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (04-Apr-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Dec-23)	1)CARE BB; Stable (28-Sep-22) 2)CARE BB; Stable (18-May-22)	1)CARE BB; Stable (12-Nov-21)

*Issuer did not cooperate; based on best available information.
LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Term Loan	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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