K.H.T. Agencies Private Limited

September 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	126.28 (Reduced from 126.88)	CARE BB; Negative	Downgraded from CARE BB+; Stable
Short Term Bank Facilities	181.60 (Enhanced from 181.00)	CARE A4	Downgraded from CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to bank facilities of K.H.T Agencies Private Limited (KHT) consider its lower-than-envisaged sales in FY25 (FY refers to April 01 to March 31) due to slowdown in demand in the overall auto industry which led to a decline in sales. Further, inherently lower PBDIT margins associated with auto dealers and increased interest cost due to elevated borrowing levels to fund high inventory levels resulted in company incurring net loss in FY25. CARE Ratings Limited (CareEdge Ratings) takes note of high debt repayments in near to medium term and therefore it is imperative for KHT to realise operating cashflows at envisaged levels and receive proposed equity infusion in timely manner which otherwise would increase the liquidity pressure and hence a Negative Outlook.

Ratings continue to be constrained by increasing working capital borrowings, susceptibility to economic cycles and exposure to intense competition. While the planned new launches by OEMs and GST rate cut may improve auto demand but the company's ability to bring down its inventory levels would be key to its prospects.

Ratings continues to derive strength from its moderate scale of operations, the company's top position in Tata Motors' dealership business, and experienced promoters in the auto dealership industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving term debt to profit before interest, lease rentals, depreciation, and taxation (PBILDT) to less than 3x and interest coverage ratio (ICR) over 2x.

Negative factors

- Declining sales volumes impacting the company's liquidity position.
- Deteriorating capital structure with overall gearing above 5.5x and interest coverage below 0.5x.

Analytical approach: Standalone

Outlook: Negative

Negative Outlook reflects CareEdge Ratings expectation of continuing stress on company's profitability and liquidity due to high upcoming repayments as well as continuing high inventory levels. The Outlook may be revised to 'Stable' in case the company is able to bring down the inventory levels or improve the profitability thereby easing out the liquidity pressure.

Detailed description of key rating drivers:

Key weaknesses

Decline in profitability

The company witnessed decline in profitability margins, with PBILDT margin declining from 2.80% in FY24 to 1.93% in FY25 due to softness in demand in the overall auto industry which led to sales de-growth. While the demand side is softened, supplies from OEMs have gone up and company is maintaining close to 1.5-2 months of inventory. At the same time interest cost is also higher due to high WC borrowings and term debt availed to open showrooms on owned basis during last couple of years and there are

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

large repayments falling due in the near-to-medium term. Consequently, company reported net loss of Rs.9.45 crore in FY25 as against net profit of Rs. 9.32 crore in FY24.

Moderation in capital structure and debt coverage indicators

The company has leveraged capital structure owing to debt raised in past to fund expansion plan. Further, the company has high working capital borrowings outstanding reason being the company's requirement to maintain sufficient inventory levels to cater customer demand. Overall gearing increased to 4.13x as on March 31, 2025, as compared to 3.97x as on March 31, 2024, and continues to remain high.

Debt coverage indicators stood weak, as marked by low PBILDT interest coverage of 0.81x in FY25 (1.63x in FY24). Going forward, debt coverage indicators are expected to remain marginally weak due to expectation of continuing high inventory levels.

Cyclical automotive industry

Automotive industry is highly vulnerable to economic cycles and driven by consumer preferences. The industry is also highly sensitive to interest rate and inflation and rise in this increases the purchasing cost thus affecting disposable income of the consumer, influencing consumer decision. Similarly, fuel prices also have a direct impact on the vehicle's running cost and hike in this would lead to reduced disposable income of consumers, influencing the purchase decision.

Intense competition among OEMs and OEM dealers

Automobile industry is highly competitive due to presence of well-established players in the market. Competitors continuously launch new variants at competitive price, which influences consumer preferences and directly impacts sales of principal. Further, improving infrastructure and high growth prospect in India are attracting international players in the industry. This is putting pressure on the market share of domestic players and forcing OEMs to offer discount schemes to attract customers. To capture market share and increase their customer base, dealers also extend several offers and discounts which impact their profit margin.

Thin profit margin due to limited bargaining power

OEMs set product margins at fixed levels, restricting the company's bargaining power and incremental income. The presence of multiple dealers in the market further reduces profitability margin as dealers are majorly focused on improving their market share by offering attractive offers and lenient credit period which limits their profitability margin. Though CareEdge Ratings note KHT's dominant position in southern region providing revenue visibility for coming fiscal years.

Moderation in operating cycle

The company's operating cycle moderated to 51 days in FY25 compared to 41 days in FY24 reason being increase in inventory amidst muted demand in auto segment. Further, OEMs are insisting dealers to maintain close to 1.5-2 months of inventory. Some stocks of 5-6 crores are for over six months. Since, new models are coming along with facelift models because of that some products get stuck in the personal segment.

Key strengths

One of the top TML dealer in Karnataka though decline in revenue witnessed.

KHT is one of the largest dealers of Tata Motors in Southern India and has been associated with the principal for over a decade. However, total operating income (TOI) declined to ₹879.47 crore in FY25 as compared to ₹1179.38 crore in FY24. Decline in revenue is softness in demand in the overall auto industry which led to sales de-growth. The company reported ~30.34% decrease in revenue from vehicles sale to ₹776.65 crore in FY25 against ₹1114.90 crore last year. KHT started dealership of Citroen vehicles from June 2024, helping diversify its revenue profile. The company witnessed growing consumer preferences towards electric mobility due to lower cost associated with EV's running and maintenance. Till July 2025, the company reported TOI of ₹264 crore.

Long track record of existence of business and experienced promoters

The company's promoters have over 30 years of experience in automobile dealership business. Initially, the company began its dealership business with commercial vehicles of SML Isuzu limited and over three decades the company expanded its product portfolio by associating with TATA motors and JEEP. Apart from this, the company started dealership of Citroen vehicles from June 2024.

Liquidity: Stretched

The company's operating cashflows are unlikely to cover upcoming debt repayments and therefore timely fund infusion from promoters is necessary. Company's working capital intensity have risen due to rising inventory levels. Company's ability to bring down the inventory and consequently debt levels would be key to improve its liquidity levels. The company has reported cash and bank balance of ₹9.25 crore as on March 31, 2025.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector

Auto Dealer
Short Term Instruments

About the company and industry

Industry classification

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

KHT was incorporated in 1990 by Kirit Morzaria. KHT is the dealer of Tata Motors Limited (CV and PV) and JEEP in Bangalore. The company also sells spare parts and accessories of OEM and provides vehicle servicing. The company's day-to-day operations are managed by the Managing Director, Adit Morzaria. The company has nine showrooms and six service centres in and around Bengaluru.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)	June 30, 2025 (UA)
Total operating income	1179.38	879.47	207.00
PBILDT	32.97	17.02	7.00
PAT	9.32	-9.45	0.25
Overall gearing (times)	3.97	4.13	NA
Interest coverage (times)	1.63	0.81	1.16

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	8.00	CARE BB; Negative
Fund-based - ST-Working Capital Limits	-	-	-	-	181.60	CARE A4
Term Loan-Long Term	-	-	-	March 2037	118.28	CARE BB; Negative

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 2025-2026	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
1	Fund-based - ST-Working Capital Limits	ST	181.60	CARE A4	-	1)CARE A4+ (25-Oct-24) 2)CARE A4+ (04-Oct-24)	1)CARE A4+ (07-Aug-23)	1)CARE A4+ (14-Sep-22)
2	Fund-based - LT-Bank Overdraft	LT	8.00	CARE BB; Negative	-	1)CARE BB+; Stable (25-Oct-24) 2)CARE BB+; Stable (04-Oct-24)	1)CARE BB+; Positive (07-Aug-23)	1)CARE BB+; Stable (14-Sep-22)
3	Term Loan-Long Term	LT	118.28	CARE BB; Negative	-	1)CARE BB+; Stable (25-Oct-24) 2)CARE BB+; Stable (04-Oct-24)	1)CARE BB+; Positive (07-Aug-23)	1)CARE BB+; Stable (14-Sep-22)

LT: Long term; ST: 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-Bank Overdraft	Simple
2	Fund-based - ST-Working Capital Limits	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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