

Pioneer Autoworld (Guntur) Private Limited

November 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	75.00	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Pioneer Autoworld (Guntur) Private Limited (PAPL) are constrained by leveraged capital structure and weak debt coverage indicators owing to higher debt levels majorly for working capital requirement with stretched liquidity position. Ratings also factor cyclical nature of the industry, intense competition, geographical concentration risk, and linkage to the fortunes of the Original Equipment Manufacturer (OEM) i.e Mahindra and Mahindra Ltd (M&M). The rating, however, derives strength from the established track record and extensive experience of promoters in the automobile dealership business in Andhra Pradesh, with growing, despite modest scale of operations and satisfactory profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume-based growth in scale of operations above Rs.350 crore with a PBILDT margin of around 4-5%
- Improvement in capital structure marked by overall gearing of 3x or lower

Negative factors

- Decline in scale of operations by 30% or more in future
- Elongation of operating cycle beyond 100 days impacting the liquidity profile

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) expects PAPL to continue benefiting from the long-established track record of its promoters in the auto dealership business.

Detailed description of key rating drivers:

Key weaknesses:

Leveraged capital structure and weak debt coverage indicators

Capital structure of the company stood leveraged and deteriorated as marked by overall gearing at 4.38x as on March 2025 compared to 4.12x as on March 2024 on account of a limited net worth base of ₹13.69 crore and increase in debt levels. The debt profile of the company comprises working capital (includes Drop Line Over-Draft), dealer financing, inventory funding, USL from the promoter and term loan. The management has also indicated that USL from the promoter of ₹2.38 crore as on March 2025 will be continued in the business. Debt coverage indicators stood weak marked by TD/GCA of ~29x during FY25 (~10x during FY24) and PBILDT Interest Coverage ratio of 1.48x compared to 3.11x in FY24, due to increase in debt levels and low GCA reported.

High reliance on working capital borrowings

The business of automobile dealership has inherent high working capital intensity due to high inventory holding. The entity has to maintain optimal inventory of different models of passenger & commercial vehicles and spare parts to meet customer demand and unforeseen supply shortage. The company operating cycle elongated to 82 days in FY25 compared to 57 days in FY23, primarily due to increase in inventory holding. The increase in inventory was driven by the stocking of various models of commercial vehicles and passenger vehicle and spare parts. Collection days remained comfortable at around one week for the past 3 years ended FY25.

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

Inherently competitive and cyclical nature of the auto industry

The Indian automobile industry is highly competitive in nature owing to a large number of players operating in the market. With low set-up cost and no major entry barriers, emergence of new dealers is very imminent, further aggravating the competition faced from existing dealers of other OEMs. To offset the same, dealers must come up with extra discounts, which creates margin pressure and negatively impacts the earning capacity of the company. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Limited bargaining power with the principals

Auto dealers have low bargaining power over their principals. The margin on products is set at a particular level by the principal manufacturer, thereby restricting the company to earn incremental income. Further, the fortunes of auto dealers rest on the performance of the principals and the acceptability of their products in the market. Hence, performance and prospects of PAPL is highly dependent on the fortunes of Mahindra & Mahindra (M&M).

Key strengths:**Experienced promoters in the auto dealership industry**

PAPL's promoter, Mr. Ramesh Chukkapalli, is a graduate with active involvement in the automobile industry since 2012. In addition to PAPL, he also operates two-wheeler dealerships for other automobile brands in and around Guntur and Prakasam district of Andhra Pradesh. Currently, the company's overall operations are overseen by a family member, Mr. Chakradhar Gutta, who has been associated with PAPL since its inception. His extensive industry experience has been instrumental in the effective management and growth of the company

Satisfactory albeit fluctuating profit margins with modest scale of operations

The total operating income (TOI) has been on increasing trend during FY21-FY25 and stood at ₹242 crore in FY25 due to increase in sales volume of vehicles backed by demand for commercial and passenger vehicles. While sales volumes slightly declined in FY25 due to marginally lower demand scenario, TOI growth was sustained by higher service revenue contributions. CARE Ratings Limited (CareEdge Ratings) expects the revenue to increase considering GST rate cuts which contributed higher booking status from September 2025 coupled with increase in the demand during festive seasons.

The company's PBILDT margin remained in the range of 3.5% to 4.5% over the four years ending FY24, in line with the nature of auto-dealership industry. However, in FY25, the margin declined due to increased operating expenses related to the expansion of new showrooms, including hiring staff costs as well as ongoing maintenance of existing showrooms. PAT margin followed a similar trend, impacted by both the dip in PBILDT margin and higher interest expenses.

The company achieved TOI of ₹190 crore in H1FY26 (Provisional).

Liquidity: Stretched

Liquidity of PAPL is stretched marked by high utilization of its fund-based working capital limits, given the high working capital requirements inherent in the auto dealership industry. Average utilisation of FB limits remained around 95- 98% during the past twelve months ended September 2025. Further, current ratio stood below unity at 0.83x as on March 2025. However, few cash balance of ₹5 crore as on March 31, 2025 provide some cushion to liquidity. The internal accruals for FY26 are expected to be sufficient to repay its debt obligations.

The company has expanded its dealership network in East and West Godavari districts of Andhra Pradesh with five new showrooms in these locations, and all are operational. The company expects incremental sales of ~₹100 crore. PAPL has already availed enhancement in the dealership financing limit for the projected sales of FY26, which provides some comfort for working capital management.

Assumptions/Covenants: NA**Environment, social, and governance (ESG) risks: NA**

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

Guntur (Andhra Pradesh) based Pioneer Autoworld (Guntur) Private Limited (PAPL) was founded by Mr. Ramesh Chukkapalli and his family in June 2012. PAPL is currently managed by Mr Chakradhar Gutta and takes support of other family members. PAPL is an authorized dealer for Mahindra & Mahindra Ltd under passenger and commercial vehicle (3 & 4 wheeler vehicle) segment and has 12 showrooms, each having service centres, across Guntur, Prakasam, East and West Godavari district of Andhra Pradesh. PAPL also offers, auto services and sale of spare parts.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	237.25	242.18
PBILDT	10.67	5.64
PAT	4.21	0.97
Overall gearing (times)	4.12	4.38
Interest coverage (times)	3.11	1.48

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

Status of non-cooperation with previous CRA: None

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/ ST-Vendor financing		-	-	-	75.00	CARE BB-; Stable / CARE A4

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 - LT/ST-Vendor financing	LT/ST	75.00	CARE BB-; Stable / CARE A4				

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Vendor financing	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.

Contact us

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