CareEdge RATINGS

Eram Motors Private Limited

January 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	29.50	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Long Term / Short Term Bank Facilities	65.00	CARE BBB+; Stable / CARE A2	Upgraded from CARE BBB; Stable / CARE A3+
Short Term Bank Facilities	9.00	CARE A2	Upgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Eram Motors Private Limited (EMPL) reflect a substantial increase in scale of operations driven by increase in sales volumes, while maintaining profitability margins and a comfortable financial profile. Ratings continue to derive strength from its established presence in Kerala passenger vehicle (PV) dealership market, its long-standing relationship with the principal, Mahindra and Mahindra Limited (M&M), and promoters' vast experience. Ratings also take comfort from EMPL's satisfactory capital structure and debt protection metrices. However, ratings are constrained by the concentration of operations in the north Kerala market, and susceptibility to the region's socio-economic condition, comparatively thin operating margins inherent to the dealership nature of business, and susceptibility to economic cycles and exposure to intense competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Consistently improving scale of operations above ₹2000 crore with an improvement in operating margin.
- Maintaining total debt to gross cash accruals (TD/GCA) below 2x on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Large debt-funded capex resulting in total debt / PBILDT above 3.5x on a sustained basis.
- Increase in inventory days to over 60 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the growing market share of the principal in the domestic PV market, which with the stable revenue stream from spares and services business shall enable the firm to sustain its business profile.

Detailed description of Key Rating Drivers

Key strengths

Experienced promoters and company's established presence as M&M dealer in Kerala

Siddeek Ahmed (founder of Eram group), the company's promoter, has over three decades of experience in managing large businesses across multiple countries. The company's day-to-day operations are managed by Ashok Kumar, CEO of EMPL, having over 40 years of experience in the dealership business, He is supported by team of experienced professionals looking after different divisions and functional areas. The company operates 35 showrooms in seven districts of Kerala, including Kannur, Kasargod, Kozhikode, Malappuram, Palakkad, Thrissur, and Wayanad. EMPL is the sole dealer of M&M's PV and light commercial vehicles (LCV) in north Kerala and has been associated with the principal for over 15 years, which has helped the company to harness M&M's brand recognition in the state. EMPL reportedly accounts for ~45% of the M&M sales in Kerala.

Growing Scale of operations

EMPL's scale of operations has been growing at a CAGR of 26% over the past 5 years and by 48% in FY25 to Rs. 1000.36 Crores. Growth in scale in FY25 is backed by growth in volumes by 43.6%. Passenger vehicle volumes grew by 59.5% in FY25 while LCV volumes grew by 24% during the same period. In 7MFY26, aided by GST revision, TOI has further grown by 57.8% on an

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

annualised basis to Rs. 921.23 Crores. In FY25 the company added 11 new showrooms bringing the total to 35 showrooms and plans to add 6 more in FY26.

Satisfactory financial risk profile

The company's capital structure stood comfortable marked by overall gearing of 1.00x as on March 31, 2025, against 0.67x as on March 31, 2024. Working capital borrowings stood elevated as on March 31, 2025, at Rs. 64.33 crores owing to higher receivables as on FY25 end. Higher sales growth combined with stable profitability margins resulted in marked improvement in the net worth base to ₹97.47 crore (PY: ₹81.42 crore). Unsecured loans from promoters stood at ₹35.19 crore as on March 31, 2025, of which ₹30 crore is subordinated to bank facilities and has been treated as equity.

Key weaknesses

Low margins associated with dealership business

EMPL's profitability is thin due to the dealership nature of operations. The company has limited negotiating power with the principal and has no control over selling price of the vehicle, which is fixed by M&M. Intense competition from other original equipment manufacturer (OEM) dealers in the dealership segment dictates margin to a greater extent. In FY25, PBILDT margins stood stable at to 3.11% (PY: 3.19%) primarily due to higher contribution of vehicle sales at 86.18% of TOI in FY25 (PY: 84.74%). Spares and Service income contribution declined to 10.81% of TOI in FY25 compared to 12.75% of TOI in FY24.

Intense competition and cyclicality in the industry

Indian automobile industry is highly competitive, as there are large numbers of players operating in the market. Entry of global players in the Indian market has further intensified the competition. Hence, OEMs offer discount schemes to attract customers. Due to high competition in the industry, dealers are also forced to pass on discounts and exchange schemes to attract customers as this is a volume-driven business. The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. Policies implemented by the government also have a direct bearing on sale of PVs.

Industry Prospects

CareEdge Ratings expects that the passenger vehicle industry will see around 4% volume growth in FY26, following a high base in previous years. This growth will be supported by regulatory and fiscal tailwinds, including easing inflation, income tax relief, and the pass-through of the repo rate, which reduces financing costs. Additionally, the GST 2.0 reforms, which have lowered tax rates and improved affordability, are expected to boost demand further.

In the passenger vehicle segment, M&M achieved a retail sales volume growth of 20.7% in FY25, driven primarily by its leading models, XUV3X0/XUV300 and Scorpio, which posted year-on-year growth of ~84% and ~17%, respectively. At the end of FY25, M&M commenced deliveries of its newly launched electric-origin SUVs. In FY26, benefiting from GST rationalisation, the company recorded an 18% volume growth in 9MFY26 compared to the same period in FY25.

In the commercial vehicle segment, M&M reported a 6.5% retail sales volume growth in FY25, followed by a robust 28% y-o-y growth in 9MFY26 compared to 9MFY25.

Liquidity: Adequate

The company's liquidity stood adequate with sufficient accruals against debt repayment obligations of ~₹11.74 crore in FY26 and a free cash and bank balance of ~₹1.87 crore as on March 31, 2025. The operating cycle stood moderate at 38 days (PY: 39 days). Increase in collection period to 10 days in FY25 (PY: 5 days) was offset by drop inventory holding to 33 days in FY25 (PY: 39 days) The current ratio stood at 1.20x and the quick ratio at 0.44x. Average utilisation of working capital limits stood at 60.4% for 12 months ending in September 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

EMPL was incorporated in 2009 in Calicut, Kerala. EMPL is an authorised dealer of PVs and LCVs for M&M. EMPL has 35 showrooms in multiple districts of Kerala. The company is part of the larger Eram Group, founded by Siddeek Ahmed, the key promoter, and has business interests across oil & gas, power & utilities, travel, food and healthcare in GCC countries and India. The company's day-to-day operations are overseen by the Chief Executive Officer, Ashok Kumar.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)	7MFY26 (UA)
Total operating income	578.76	676.19	1000.36	921.23
PBILDT	23.18	21.59	31.09	28.69
PAT	17.68	8.17	15.35	NA
Overall gearing (times)	0.79	0.67	1.00	1.08
Interest coverage (times)	5.33	4.64	5.26	6.26

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA:
CRISIL has continued the rating assigned to the bank facilities of EMPL into ISSUER NOT COOPERATING category vide press release dated January 07, 2025 on account of its inability to carry out a review 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-Cash Credit		-	-	-	24.50	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	Dec 31, 2026	5.00	CARE BBB+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	65.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Bank Guarantee		-	-	-	9.00	CARE A2

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-Working Capital Limits	LT/ST	65.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB; Stable / CARE A3+ (13-Mar-25)	1)CARE BBB-; Stable / CARE A3 (19-Mar-24)	-
2	Fund-based - LT-Term Loan	LT	5.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (13-Mar-25)	1)CARE BBB-; Stable (19-Mar-24)	-
3	Fund-based - LT-Cash Credit	LT	24.50	CARE BBB+; Stable	-	1)CARE BBB; Stable (13-Mar-25)	1)CARE BBB-; Stable (19-Mar-24)	-
4	Non-fund-based - ST-Bank Guarantee	ST	9.00	CARE A2	-	1)CARE A3+ (13-Mar-25)	1)CARE A3 (19-Mar-24)	-

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Non-fund-based - ST-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: 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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About us:

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