

Press Release

Jyoti Automobiles Private Limited

January 16, 2023



Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|-------------------------------|-------------------------|
| Bank Loan Ratings | 14.82 | ACUITE BB Stable Assigned | - |
| Bank Loan Ratings | 15.18 | - | ACUITE A4+ Assigned |
| Bank Loan Ratings | 30.00 | - | ACUITE A4+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 60.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A4+ (read as ACUITE A Four plus)**' on the Rs. 30.00 Crore bank facilities of Jyoti Automobiles Private Limited (JAPL). The earlier long term scale rated facilities of Rs. 14.50 Crore have been closed and the entire amount is now being rated under short term scale.

Acuité has assigned the long term rating of '**ACUITE BB' (read as ACUITE double B)** and short-term rating of '**ACUITE A4+ (read as ACUITE A Four plus)**' to the Rs. 30.00 Crore bank facilities of Jyoti Automobiles Private Limited (JAPL). The outlook is '**Stable**'.

Rationale for rating

Rating assignment/reaffirmation takes into account the experience of management in the line of business, vintage of operations and growth in scale of operations. Company has long standing relationship with MSIL and is also authorised dealership of Honda Motors for sales of 2 Wheelers. Company has registered improvement in revenue wherein operating income improved from Rs. 190.37 Cr in FY 2021 to Rs. 216.42 Cr in FY 2022. However, rating is constrained by moderate financial risk profile of the company with average net worth base and moderate debt protection metric along with high Debt-EBITDA. Going forward, improvement in scale of operations, financial risk profile and debt protection metrics will remain key rating factors.

About the Company

Incorporated in 1998, Jyoti Automobiles Private Limited (JAPL) is a Rajasthan-based company promoted by Mr. Sanjay Nakra and Mr. Rajeev Nakra. The company has been an authorised dealer for Maruti Suzuki India Limited since 2009 and is engaged in the sale of new vehicles, pre-owned vehicles (under the "True Value" brand), Honda 2 wheelers and spare parts and accessories.

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of Jyoti Automobiles Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

JAPL was incorporated in the year 1998 and operates dealership of 4 wheelers (New Cars) for Maruti Suzuki India Limited, 4 Wheelers (Used Car) under TruValue and 2 Wheeler (New Vehicles) for Honda Motors in Rajasthan region. Management has extensive experience in the line of business evident by long standing association with Maruti Suzuki India Limited (MSIL) and Honda Motors. Acuite believes that JAPL will continue to benefit from its established track record of operations and experienced management.

Efficient working capital management

Company's operations are moderately working capital intensive with comfortable GCA days of 58 in FY 2022. Inventory period improved and stood moderate at 29 days in FY 2022 as against 37 days in FY 2021. Debtor realization period increased from 16 days in FY 2021 to 21 days in FY 2022. Since the company also sells vehicles to Army departments, CISF, CRPF etc. wherein payments is realized after 30-40 days hence it has resulted in stretched debtors in FY 2022. Creditor days stood at 1 in FY 2022 as against 2 in FY 2021. Average bank limit utilization stood at 72.54% for the 8 months' period between April 2022 to November 2022.

Weaknesses

Moderate Financial Risk Profile

Company has moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. Company tangible net worth stood at Rs. 23.31 Cr in FY 2022 as against Rs. 21.44 Cr in FY 2021. Total debt of Rs. 40.27 Cr in FY 2022 consists of Rs. 10.16 Cr of term loans, Rs. 27.40 Cr of working capital borrowings and Rs. 2.70 Cr of CPLTD. Gearing (Debt to Equity) improved marginally from 1.80 times in FY 2021 to 1.73 times in FY 2022. Interest Coverage ratio improved from 1.71 times in FY 2021 to 2.33 times in FY 2022 while DSCR stood at 1.17 times in FY 2022 as against 1.09 times in FY 2021. NCA/TD stood at 0.09 times in FY 2022 as against 0.08 times in FY 2021. Debt-EBITDA stood at 5.40 times in FY 2022 as against 5.19 times in FY 2021.

Exposure to risks related to low bargaining power with principal and to intense competition in passenger vehicle segment

JAPL is a Rajasthan-based dealer for MSIL's passenger vehicles. It faces intense competition from other MSIL dealers and has limited bargaining power with its principal. Furthermore, JAPL also faces competition from dealers of other OEM's like Tata motors, Toyota, Mahindra, VW, Skoda, Nissan etc.

Rating Sensitivities

- Scale of operations.
- Debt Protection metrics.
- Financial Risk Profile.

Material covenants

None.

Liquidity Position

Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accrual of Rs. 3.73 Cr against maturing debt obligation of Rs. 2.70 Cr. Going forward company is

expected to generate NCA of Rs. 4.89 Cr and Rs. 5.48 Cr in FY 2023 and 2024 respectively against maturing debt obligation of Rs. 2.70 Cr in each year. In FY 2022 company had unencumbered cash and bank position of Rs. 0.57 Cr. Average bank limit utilization stood at 72.54% for the 8 months' period between April 2022 to November 2022.

Outlook: Stable

Acuite believes that JAPL will continue to maintain a 'stable' outlook over the medium term owing to its experienced management and established association with MSIL and Honda. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve the projected scalability in revenues or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Other Factors affecting Rating

None.

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 216.42 | 190.37 |
| PAT | Rs. Cr. | 2.11 | 1.09 |
| PAT Margin | (%) | 0.97 | 0.57 |
| Total Debt/Tangible Net Worth | Times | 1.73 | 1.80 |
| PBDIT/Interest | Times | 2.33 | 1.71 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------------|------------|-----------------|--|
| 25 Oct 2022 | Secured Overdraft | Long Term | 5.50 | ACUITE BB- (Issuer not co-operating*) |
| | Term Loan | Long Term | 8.43 | ACUITE BB- (Issuer not co-operating*) |
| | Ad-hoc limits (Fund Based) | Short Term | 1.95 | ACUITE A4+ (Issuer not co-operating*) |
| | Channel Financing | Short Term | 3.00 | ACUITE A4+ (Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Cash Credit | Short Term | 6.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Proposed Working Capital Demand Loan | Long Term | 0.57 | ACUITE BB- (Issuer not co-operating*) |
| | Inventory Funding | Short Term | 3.55 | ACUITE A4+ (Issuer not co-operating*) |
| 27 Jul 2021 | Inventory Funding | Short Term | 3.55 | ACUITE A4+ (Issuer not co-operating*) |
| | Ad-hoc limits (Fund Based) | Short Term | 1.95 | ACUITE A4+ (Issuer not co-operating*) |
| | Term Loan | Long Term | 8.43 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| | Secured Overdraft | Long Term | 5.50 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| | Cash Credit | Short Term | 6.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Channel Financing | Short Term | 3.00 | ACUITE A4+ (Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Proposed Working Capital Demand Loan | Long Term | 0.57 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| 29 Apr 2020 | Ad-hoc limits (Fund Based) | Short Term | 1.95 | ACUITE A4+ (Issuer not co-operating*) |
| | Channel Financing | Short Term | 3.00 | ACUITE A4+ (Issuer not co-operating*) |
| | Term Loan | Long Term | 8.43 | ACUITE BB (Issuer not co-operating*) |
| | Proposed Working Capital Demand Loan | Long Term | 0.57 | ACUITE BB (Issuer not co-operating*) |
| | Secured Overdraft | Long Term | 5.50 | ACUITE BB (Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Cash Credit | Short Term | 6.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Inventory Funding | Short Term | 3.55 | ACUITE A4+ (Issuer not co-operating*) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|---------------------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------------|
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 5.50 | ACUITE BB Stable Assigned |
| State Bank of India | Not Applicable | Inventory Funding | Not Applicable | Not Applicable | Not Applicable | Simple | 30.00 | ACUITE A4+ Reaffirmed |
| State Bank of India | Not Applicable | Inventory Funding | Not Applicable | Not Applicable | Not Applicable | Simple | 0.38 | ACUITE A4+ Assigned |
| HDFC Bank Ltd | Not Applicable | Inventory Funding | Not Applicable | Not Applicable | Not Applicable | Simple | 4.80 | ACUITE A4+ Assigned |
| Axis Bank | Not Applicable | Inventory Funding | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE A4+ Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 9.00 | ACUITE BB Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Working Capital Term Loan | Not available | Not available | Not available | Simple | 0.32 | ACUITE BB Stable Assigned |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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