



**Press Release**  
**JSP AUTOCORE PRIVATE LIMITED**  
**December 01, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**Acuite BBB-**' (read as **ACUITE triple B minus**) on Rs.55.00 Cr. bank facilities of JSP Autocore Private Limited (JAPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned considers experience of the management in automobile dealership business, steady growth in revenue and efficient working capital management. JSP Autocare Private Limited (JAPL) has shown significant growth in its revenue over the past 3 years with a Compounded Annual Growth rate (CAGR) of ~15 percent and the same being sustained in the current year. The company has reported revenue of Rs.324.14Cr during FY23 against revenue of Rs.224.54Cr of FY22 and Rs.218.20Cr of FY21. However, the rating is constrained by the moderate financial risk profile with a gearing ratio of 2.11 times as on March 31, 2023 of the company. The thin profitability margin and high competitive nature of the industry is also a constraining factor. Going forward, the company's ability in sustaining the growth in revenue while improving the financial risk profile will be a key monitorable.

**About the Company**

JSP Autocore Private Limited (JSPAPL), incorporated in 2018. The company is an authorized dealer of cars. JAPL is an authorised dealer of Kia Motors and has two showroom, one CPO for exchanged used cars and two service centres in Bangalore city. Company's showrooms are located in Bellandur and Singasandra, service centres are located at Bellandur and Doddanagamangala. The present directors of the company are Mr. Ponraj Sivapriya and Ms. Jhansi Ponraj. The registered office of the company is in Karnataka.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of JAPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

Established market position aiding in improving the scale of operations:

JSP Autocore private limited (JAPL) is incorporated in the year 2018 and currently being managed Ms. Ponraj Sivapriya and Ms. Jhansi Ponraj. JAPL generates revenue through sale

and service of Kia motors cars and also through sale of spare parts for service purpose. Over the years Kia motors have significantly improved its market share by launching its cars with premium features at reasonable prices. Improving market share has resulted in growth in revenue for the dealers during the past three years. JAPL's revenue has improved to Rs.324.14 Cr in FY23 from Rs.224.54 Cr in FY22 and Rs.218.20 Cr in FY21. Major part of the revenue is from sale of new vehicles, company also derives revenue through sale of spare parts, accessories, warranty sale, income earned through incentives from banks and insurance companies. The company has reported similar growth in revenue during the current year by registering revenue of Rs.165.57Cr till September and expected to close the year in the range of Rs.330-340Cr. Further, operating margins of the company remained stable at 3.8 percent in FY23 as against 2.93 percent in FY22 and 3.76 percent in FY21. Marginal variation in operating margins is due to variation in vehicle prices during the period.

Acuite believes that the experience of the promoters and established market position of the company will benefit the business risk profile of the company over the medium term.

### **Efficient working capital operations**

JAPL's operations are working capital efficient in nature as reflected by its gross current asset (GCA) days of 42 days in FY23 as against 37 days in FY22 and 44 days in FY21. The company maintains an inventory of around 11 to 25 days and gives credit period of 5 to 9 days to its customers during last 3 years through FY2023. Its creditor's days stood at 16 days in FY23 as against 15 days in FY22 and 2 days in FY21. Efficient working capital management and moderate accruals lead to moderate utilization of its inventory funding limits at about 62 percent over the past 12 months ended August 2023.

Acuite believes that company's working capital operations is likely to remain efficient over the medium term on account of timely collection of receivables and considering the nature of business.

## **Weaknesses**

### **Moderate financial risk profile**

JAPL's financial risk profile is moderate marked by moderate capital structure and coverage indicators. The company's net worth stood at Rs.15.26 Cr as on March 31, 2023 as against Rs.9.21 Cr as on 31 March, 2022 and Rs.6.48 Cr as on March 31st 2021. The improvement in net worth is on account of accretion of profits to reserves. JAPL's gearing was deteriorated to 2.11 as on March 31st 2023 from 1.82 times of previous year on account of increase in fund based working capital limits and moderate net worth position. The total debt of Rs. 32.26 Cr as on March 31st 2023 consists of only short term debt availed for inventory funding. Debt protection metrics of the company stood healthy with Interest coverage ratio stood at 7.98 times as on March 31st 2023 and 6.93 times as on March 31st 2022 and Debt service coverage ratio of 6.57 times and 5.82 times as on March 31st 2023 and as on March 31st 2022 respectively. The net cash accrual (NCA) to total debt (TD) is 0.28 times as on March 31st 2023 and as on March 31st 2022. The Total outside liabilities to Tangible net worth stood at 3.91 times as on March 31st 2023 as against 3.05 times as on March 31st 2022.

Acuite believes that the financial risk profile of JAPL may continue to remain moderate in near to medium term with no major debt-funded capex plan.

### **Thin profitability margins inherent in auto dealership business**

The company's operating margins remained thin at 3.80 percent in FY23 as against 2.93 percent in FY22 and 3.76 percent in FY21. Lower operating margins are attributable to inherent nature of auto dealership business and lower bargaining power of the dealer.

Acuite believes that profitability margins may continue to remain thin going forward considering the nature of business.

### **Exposure to intense industry competition**

The passenger car industry in India is highly competitive. Being an authorized dealer for Kia Motors, the company has to compete with dealers of other car brands such as Maruti Suzuki, Hyundai, Tata, Mahindra & Mahindra etc. Auto manufacturers also encourage more dealerships (thereby increasing competition among dealers) to improve market penetration

and sales. Thus, the business risk profile may continue to be constrained by limited bargaining power with principals, and exposure to intense competition.

### **Rating Sensitivities**

- Improved business risk profile supported by increase in scale of operations and margins.
- Further improvement in working capital requirement as marked by decline in inventory levels.
- Deterioration in financial risk profile

### **All Covenants**

None

### **Liquidity Position: Adequate**

The company has an adequate liquidity with sufficient net cash accruals against nil debt repayment obligations. The company's net cash accruals improved to Rs.9.00 Cr. in FY2023 from Rs 4.71 Cr. in FY2022 and Rs.5.58 Cr. in FY21. Company's GCA days are around 44 to 37 days making it less dependent on short-term borrowing for working capital requirements. Average bank utilization for inventory funding facility utilisation stood at 62 percent during last 12 months ended August 2023. Current ratio of the company stood at 0.82 times and cash and bank balance stood at 4.36 Cr. as on March 31st 2023. Going forward, the company's liquidity position is expected to be adequate with sufficient net cash accruals and lower reliance on long term debt.

### **Outlook: Stable**

Acuité believes that JSPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt funded capital expenditure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	330.05	228.76
PAT	Rs. Cr.	6.04	2.73
PAT Margin	(%)	1.83	1.19
Total Debt/Tangible Net Worth	Times	2.11	1.82
PBDIT/Interest	Times	7.98	6.93

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://www.acuite.in)

### Rating History :

Not Available

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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