



Press Release
JSP AUTOCORE PRIVATE LIMITED
January 23, 2025
Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	55.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	64.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 55.00 Cr. bank facilities of JSP Autocore Private Limited (JAPL). The outlook is '**Stable**'.

Furthermore, Acuite has assigned a long-term to '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs 9.00 Cr. bank facilities of JSP Autocore Private Limited (JAPL). The outlook is '**Stable**'.

Rationale for rating downgrade

The rating downgrade was on account of subdued operating performance marked by stagnancy in revenues and declining operating profitability which resulted in deterioration in financial risk profile. The rating considers the experience of the management in automobile dealership business and efficient working capital management.

About the Company

JSP Autocore Private Limited (JAPL) is incorporated in the year 2018. JAPL is based out of Bangalore, is an authorised dealer of Kia Motors Limited. JAPL is having 3 showroom, 1 CPO (Certified Pre Owned Car) for selling of used cars and 2 for new cars located in Bellandur, Singasandra and Dommasandra and 2 service centres 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

Experienced management

JSP Autocore Private Limited (JAPL) is incorporated in the year 2018, and currently being managed by Ms. Ponraj Sivapriya and Ms. Jhansi Ponraj. The management has experience of over five years in the automobile dealership and allied businesses. Acuite believes that the experience of the promoters and established market position of the company will support the business risk profile of the company over the medium term.

Efficient working capital operations

Company's operations are working capital efficient in nature as reflected by its gross current asset (GCA days) of 71 days in FY24 as against 42 days in FY23. GCA days has increased in FY24 on account of increase in inventory

holding due to non-moving inventory which stood at 46 days as on Mar-24 as against 25 days as on Mar-23. Company gives the credit period of 5 to 9 days to its customers during last 3 years through FY22. Creditor's holding has improved to 8 days as on Mar-24 as against 16 days as on Mar-23. Average bank utilization for

inventory funding facility utilization stood at 86.37% over the six months ended Dec-24.

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

Weaknesses

Moderation in operating performance marked by subdued revenues and declining profitability

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. This resulted in improvement in JAPL's revenues which stood at Rs. 338.17 Cr. in FY24 as against Rs.330.05 Cr. in FY23 and Rs.228.76 Cr. in FY22. However, company reported revenue of~ Rs 175 Cr. till Nov-24 and expected to report revenue of Rs 240.00 Cr. in FY2025, the decline in revenues is due to lower sales in passenger car segment across industry for Kia Motors. The pickup in demand of Kia Motors is not expected in near term thus moderating the operating income of the company further.

Company has also reported decline in operating margins which stood at 2.03 percent in FY24 as against 3.80 percent in FY23 due to increase in employee cost and overhead expense in FY24. JAPL added one service centre during FY24 and given huge discount to customers on selling of vehicles and services which affected the profitability. In addition to that, company has reported losses with negative PAT margin which stood at -0.53% in FY24 as against the PAT margin at 1.83% in FY23 on account of increase in finance cost.

Acuité believes that the ability of the company to improve its scale of operations and profitability margins would remain a key monitorable.

Deterioration in financial risk profile

The company's financial risk profile deteriorated in FY2024 and remained below-average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company has declined and stood at Rs 13.46 Cr, in FY24 as against Rs 15.26 Cr, in FY23 due to losses incurred during the year. Thus, the gearing of the company has deteriorated further and stood at 4.57 times as on March 31, 2024 as against 2.11 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.43 times as on March 31, 2024 as against 3.19 times as on March 31, 2023. The debt protection metrics of the company also deteriorated marked by interest coverage ratio at 1.45 times and Debt service coverage ratio at 1.47 times as on March 31, 2024 as against 7.98 times and 6.57 times respectively as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) also dipped which stood just at 0.04 times as on March 31, 2024 as against 0.28 times as on March 31, 2023.

Acuite believes, the financial risk profile will remain below-average over the medium term due to subdued operating performance leading to deterioration in net worth.

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, Hyudai, Tata, Mahendra & Mahendra 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

- Higher than expected growth in revenues while improving profitability
- Improvement in financial risk profile
- Working capital management

Liquidity Position

Adequate

The company's liquidity position is adequate marked by lower cash accruals of Rs 2.51 Cr. in FY24 as against Rs 9.00 Cr. in FY23. Company does not have any long term liabilities to be repaid in near terms. The current ratio stood below unity i.e 0.95 times but having the cash and bank balance of Rs 15.37 Cr. as on 31st March 24. Though GCA days are efficient but same has increased to 71 days in FY24 as against 42 days in FY23 making dependent on short term borrowing for working capital requirement which is reflecting by average bank utilization for inventory funding facility stood at 86.37% over the six months ended Dec-24.

Acuité believes that going forward the company liquidity position will remain at same level in near future due to lower accruals and dependence on short term borrowings for working capital requirement.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	338.17	330.05
PAT	Rs. Cr.	(1.80)	6.04
PAT Margin	(%)	(0.53)	1.83
Total Debt/Tangible Net Worth	Times	4.57	2.11
PBDIT/Interest	Times	1.45	7.98

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

Not applicable

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
01 Dec 2023	Inventory Funding	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Inventory Funding	Long Term	15.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Bank of Baroda	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Axis Bank	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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