



Press Release

Jaika Automobiles & Finance Private Limited

June 14th, 2024

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	74.28(Increase from Rs. 64.24 Cr.)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Re-affirmed	Simple
Short Term Bank Facilities	53.75(Increase from Rs. 37.75 Cr.)	IVR A4 (IVR Single A Four)	IVR A4 (IVR Single A Four)	Re-affirmed	Simple
Total	128.03	One hundred twenty eight crores and three lakhs only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings (IVR) has re-affirmed long-term rating of IVR BB- with a Stable outlook and short-term rating of IVR A4 for the bank loan facilities of Jaika Automobiles & Finance Private Limited (JAFPL).

The rating draws comfort from the established track record of operations and experienced management, strong brand recognition of TATA Motors Limited (TML) and established market position as a leading dealer for TML in Chhattisgarh. However, these strengths are partially offset by low profitability margins inherent to dealership business, working capital intensive nature of operations, intense competition and regional concentration of sales and cyclical nature of the automobile industry.

Key Rating Sensitivities:

- **Upward Factors**
 - Substantial Growth in the scale of operations and profitability margins
 - Improvement in debt protection metrics
 - Significant improvement in working capital cycle and liquidity position.



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- Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing
- Elongation of Working capital cycle dampening the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operations and experienced management

The company commenced its operations in 1983 and has a successful track record of more than three decades in the existing line of business. Overall activities of JAFPL are managed by Mr. Prafulla Kale being the chairman cum managing Director. He has experience of more than 30 years in the automobile dealership business. He is ably supported by other directors, who have experience in automobile dealership business as well as supported by qualified and well experienced management team.

Strong brand recognition of TATA Motors

JAFPL's principal, Tata Motors limited is a strong player in the Indian commercial vehicle segment. Thus, the demand for the same across India is stable. Therefore, it is safe to assume that barring any economic slowdown, growth of JAFPL should be steady in the medium to long term.

Established market position as a leading dealer for TML's CVs in Chhattisgarh

JAFPL is among the leading dealers of TML in Chhattisgarh, and has a diversified presence, dealing in the entire range of CVs. The company operates from five 3S (Sales, Spares & Services) facilities and six 1S (Sales) facilities across various districts in Chhattisgarh, India.

B. Key Rating Weaknesses

Low profitability margins inherent to dealership business

The dealership business is characterised by low margins and low bargaining power of the dealer, as margins on vehicles are determined by the principal. EBITDA margin has declined



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to 2.76% in FY24(Prov.) as against 4.16% in FY23. JAFPL also faces revenue concentration risk, as its entire revenues are solely dependent on a single principal, TML.

Working capital intensive nature of operations

Inventory management is crucial for JAFPL as it needs to maintain optimal inventory of vehicles and spare parts to meet the customer demand and unforeseen supply shortage. The operations of JAFPL are working capital intensive given the need to maintain inventory.

Intense competition and regional concentration of sales

JAFPL's sales and profitability remain susceptible to intense competition from dealers of other automobiles in the regions. The dealers have to pass on additional benefits to customers to increase sales, owing to stiff competition from other dealers, which affects their profitability to an extent. The sales are regionally concentrated with its revenue derived from Chhattisgarh region.

Cyclical nature of automobile industry

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the movement in interest rates and fuel prices. A hike in interest rate, increases the costs associated with the purchase leading to purchase deferral. Fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The company thus faces significant risks associated with the dynamics of the auto industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity –Stretched

The company has stretched liquidity position as against a current portion of long-term debt (CPLTD) of Rs 6.99 crore in FY24(Prov.), the company has gross cash accrual of Rs. 5.74 crore in FY24 and is expected to remain in the range of Rs. 8.62 – 11.82 crore in the projected period against the CPLTD Rs. 8.60-3.61 crore. Also, the working capital utilisation for the last 12 months has been around 90% indicating that the company will be requiring more fund going forward for the working capital. The current ratio of the company stood at 1.31x.

About the Company

Established in 1954, the Jaika Group began its operations on 2nd November 1954, with the founding of Jaika Motors in association with Tata Motors.

JAFPL is a private limited company incorporated on 05th Dec 1981 under the leadership of Mr. Prafulla Kale and was awarded the dealership of Tata Motors Limited (TML) for Raipur.

Over the years, JAFPL has grown its size by opening outlets across Chhattisgarh and has nine showrooms and six workshops across the state of Chhattisgarh including Raipur, Anjora, Jagdalpur, Balodabazar, Bhilai, Saraipalli, Mahasamund, Balod, Bemetra.

Financials (Standalone):

	(Rs. Crore)	
For the year ended*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	205.00	353.57
EBITDA	14.75	14.70
PAT	0.62	1.49
Total Debt	132.84	130.03
Tangible Net worth	36.02	37.82
EBITDA Margin (%)	7.20	4.16
PAT Margin (%)	0.30	0.42
Overall Gearing Ratio (x)	3.69	3.44

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Crisil vide press release dated Jan 22, 2024, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Sep 22, 2023)	Date(s) & Rating(s) assigned in 2023-24 (July 26, 2023)	Date(s) & Rating(s) assigned in 2022-23 (May 26, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Term loan	Long Term	24.28	IVR BB-/Stable	IVR BB-/Stable	IVR B+/Negative/INC	IVR BB-/Stable	-
2.	Cash Credit	Long Term	50.00	IVR BB-/Stable	IVR BB-/Stable	IVR B+/Negative/INC	IVR BB-/Stable	-
3.	Inventory Funding	Short Term	46.00	IVR A4	IVR A4	IVR A4/ INC	IVR A4	-
4.	Trade Finance	Short Term	7.75	IVR A4	IVR A4	IVR A4/ INC	IVR A4	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain

Tel: (011) 45579024



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Email: opjain@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	-	24.28	IVR BB-/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	50.00	IVR BB-/Stable
Short term Bank Facilities – Inventory Funding	-	-	-	46.00	IVR A4
Short term Bank Facilities – Trade Finance	-	-	-	7.75	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Jaika-jun24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).