



Press Release

Jaika Automobiles & Finance Pvt. Ltd

Sep 22nd, 2023

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities– Term Loan	30.24	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	B+/ Negative/INC (Single B/Negative/ Issuer Not Cooperating)	Revised and Moved out of Issuer not cooperating category	Simple
Long term Bank Facilities – Working Capital Limits	34.00	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	B+/ Negative/INC (Single B/Negative/ Issuer Not Cooperating)	Revised and Moved out of Issuer not cooperating category	Simple
Short Term Bank Facilities -	37.75	IVR A4 (IVR Single A Four)	A4/INC (Single A four/ Issuer Not Cooperating)	Revised and Moved out of Issuer not cooperating category	Simple
Total	101.99 (One hundred one Crores and Ninety-Nine Lakhs Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings (IVR) has upgraded long-term rating/Short Term rating of IVR BB-/A4 with a Stable outlook for the bank loan facilities of Jaika Automobiles & Finance Private Limited (JAFPL).



Press Release

The rating draws comfort from the experience of the promoters in automobile dealership business along with wide dealership network & company's established market position with long standing relationship with Tata Motors and JAIKA's diversified revenue profile, adequate debt protection metrics and financial risk profile during FY22 and FY23(P). However, these strengths are partially offset by stretched liquidity, thin profitability margins inherent to dealership business, working capital intensive nature of operations, susceptibility to intense competition with dealers in the commercial vehicle segment 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.

- 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 effective experience in automobile dealership business as well as supported by qualified and well experienced management team.

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



Press Release

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.

Adequate debt protection metrics and financial risk profile:

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) marginally improved to 1.18x in FY2023 as compared to 1.15x in FY2022, and the debt service coverage ratio (DSCR) marginally decreased to 0.89x in FY2023 as compared to 0.94x in FY2022. The Adjusted tangible networth improved to Rs. 48.73 crore in FY2023 from Rs. 46.47 crore in FY2022. Overall gearing marginally declined to 2.40x in FY2023 from 2.59x in FY2022.

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. Operating profit margins declined to 3.93% in FY2023 from 7.20% in FY2022, PAT margins increased to 0.41% in FY2023 from 0.30% in FY2022 due to rise in other non-operating income. 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. However, with the short supply of vehicles from the principal due to the ongoing semi-conductor chip shortage, the inventory levels have come down in FY23 leading to reduced working capital limit utilisation. The same is expected to normalise with the increase in consumer demand for owning and maintaining personal vehicles.

Intense competition and regional concentration of sales



Press Release

The company faces competition from dealers of other original equipment manufacturers (OEMs), along with dealers from the same principal resulting in increased pressure to pass on price discounts to customers. 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.](#)

Liquidity –Stretched

The company has stretched liquidity position. Against a current portion of long-term debt (CPLTD) of Rs 6.99 crore in FY23, the company had a cash accrual of Rs. 3.67 crore in FY23. The cash & cash Equivalents declined sharply to Rs. 0.41 crore in FY 23 against Rs. 6.72 crore in FY 22. Also, the working capital utilisation for the last 12 months has been almost 92% results in impacting the liquidity and indicates that the company will be requiring more fund going forward for the working capital.

About the Company

Established in 1954, the Jaika Group began its journey on 2nd November, 1954, with the founding of Jaika Motors in association with Tata Motors. Today, the Group has not only completed 66 years of mutual trust with Tata Motors, expanding the relationship to a number



Press Release

of fields, it has diversified and grown into a conglomerate of 10 companies with a combined annual turnover of over Rs 1931 crores.

In the process, Jaika group has also established tie-ups with a number of world class companies such as Hyundai, Fiat/Jeep, Kia, Bharat Petroleum, Shimnit Utsch India and Crossword Bookstores to name some, and deals in a variety of products ranging from all types of vehicles, petroleum derivatives and insurance broking to a host of financial solutions.

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 Raipur, Anjora, Jagdalpur, Balodabazar, Bhilai, Saraipalli, Mahasamund, Balod, Bemetra, etc.

Financials (Standalone):

(Rs. Crore)		
For the year ended*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	205.00	352.86
EBITDA	14.75	13.85
PAT	0.62	1.14
Total Debt	132.84	130.23
Adjusted Tangible Net worth	48.72	48.40
EBITDA Margin (%)	7.20	3.93
PAT Margin (%)	0.30	0.32
Overall Gearing Ratio (x)	2.47	2.41

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Crisil vide press release dated Nov 22, 2022, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: None

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned Previously. (July 26, 2023)	Date(s) & Rating(s) assigned in 2022-23 (May 26, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term loan	Long Term	30.24	IVR BB-/Stable(Pronounced as IVR Double B Minus with Stable outlook)	IVR B+/Negative-INC(Pronounced as IVR Single B Plus Issuer not co-operating with Negative outlook)	IVR BB-/Stable(Pronounced as IVR Double B Minus with Stable outlook)	-	-
2.	Cash Credit	Long Term	34.00	IVR BB-/Stable(Pronounced as IVR Double B Minus with Stable outlook)	IVR B+/Negative-INC(Pronounced as IVR Single B Plus Issuer not co-operating with Negative outlook)	IVR BB-/Stable(Pronounced as IVR Double B Minus with Stable outlook)	-	-
3.	Inventory Funding	Short Term	30.00	IVR A4 (IVR Single A Four)	IVR A4/INC(Pronounced as IVR A four/ issuer not co-operating)	IVR A4 (Pronounced as IVR A four)		-
4.	Trade Finance	Short Term	7.75	IVR A4 (IVR Single A Four)	IVR A4/INC(Pronounced as IVR A four/ issuer not co-operating)	IVR A4 (Pronounced as IVR A four)		-

Name and Contact Details of the Rating Analyst:



Press Release

Name: Mr. Om Prakash Jain
Tel: (011) 45579024
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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities



Press Release

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	-	-	-	30.24	IVR BB-/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	34.00	IVR BB-/Stable
Short term Bank Facilities – Inventory Funding	-	-	-	30.00	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-JAFPL-sep23.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](#).