

## PRESS RELEASE

### **JAGDAMBA MOTORS PRIVATE LIMITED** **February 2024**

#### Ratings

Instruments/ Facilities	Amount (NPR. Mn)	Ratings	Rating Action
Long Term Bank Facilities	1,185.46 (enhanced from 426.38)	IRN BBB+	Reaffirmed
Short Term Bank Facilities	4,202.64 (reduced from 4,773.62)	IRN A2	Reaffirmed
<b>Total</b>	<b>5,388.10</b>		

*Details of facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the long term rating of IRN BBB+ (Triple B Plus) to the long term bank facilities of NPR 1,185.46 Mn and the short term rating of IRN A2 (A Two) to the short term bank facilities of NPR 4,202.64 Mn.

#### Detailed Rationale

The ratings reaffirmation to the bank facilities of Jagdamba Motors Private Limited (JMPL) continues to derive its strength from parentage of experienced promoter group supported by proficient management team, established and long track record of operation. Furthermore, the ratings also factor in the diversified product portfolio, moderate capital structure and debt coverage indicators and proven brand recognition, all leading to an improved market presence across the country. These rating strengths are partially offset by decline in Total Operating Income (TOI) and EBITDA during FY23, cyclical nature of the industry, high competition among other automobile players, exposure to regulatory risk, working capital intensive nature of business and interest volatility risk. Going forward, the ability of the company to maintain its margins with prudent working capital management will remain the key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### **Parentage of experienced Shanker Group with experienced promoter and experienced management team**

JMPL is a part of Shanker Group and derives its strength from promoters having strong presence in Nepal through their group entities in manufacturing of steel, cement, polymers, trading, hospitality, insurance etc. JMPL is managed by Mr. Shahil Agrawal (single promoter) and has 20 years of experience in trade and industry. Further, the promoters are supported by a team of technically qualified and experienced professionals to run the day-to-day operations of the company.

##### **Established and long track record of operations**

JMPL has an operational track record of more than 13 years' in trading of two, three and four wheelers vehicles and its spare parts, service and accessories. JMPL currently represents TVS Motors, India (2W and 3W); Proton Cars (Geely Holdings China) and ADNOC Lubricants, UAE. Also, market share of the company in FY23 stands at 26% in two-wheelers vehicle segment and 55% in three-wheelers vehicle segment.

##### **Diversified product portfolio**

JMPL was able to increase its model to 123 in FY23 from 120 model in FY22 catering towards all the target groups. JMPL have motorcycles from 100cc to 310cc; scooters in both 110cc and 125cc categories; and three

wheelers vehicle. In 2020, JMPL has achieved sales of 50,000 units of TVS Ntorq 125 within three years of its launch. Further, company was able to diversify its products to four wheelers vehicle segment (PROTON Cars) from FY22. Also, to establish its presence in electric segment, company launched electric scooter named under its brand name “iQube” in FY24.

### **Established brand recognition and market presence across the country**

Company sells two and three wheelers vehicles under the brand name ‘TVS’ and sell four wheelers vehicles under the brand name ‘Proton’. Both are acceptable brand by domestic and international customers. The company's well-established brand maintains consistent demand and aids in product differentiation from competitors. This has helped to reduce the impact of competition induced volatility in prices over the years. JMPL has 141 appointed dealers across all major cities in Nepal. JSPL normally makes ~94% of revenue through dealers and balance ~6% through its service points.

### **Moderate capital structure and debt coverage indicators**

The overall gearing ratio of the company stood moderate at 1.67x at the end of FY23, improved from 1.72x at the end of FY22, primarily due to reduction in short term debt with decrease in business during FY23. Also, company was able to settle its working capital loan at the end of FY23 which resulted in decrease in short term loans. Interest coverage ratio stood at 1.55x in FY23, decreased from 5.60x in FY22 mainly on account of decline in EBITDA. Total debt to TNW improved to 1.67x in FY23 from 1.72x in FY22. Furthermore, TOL/TNW improved to 1.90x in FY23 from 2.10x in FY22.

### **Key Rating Weaknesses**

#### **Financial profile marked by decline in TOI during FY23**

JMPL generates its revenue from sales of two-wheeler vehicles, three-wheeler vehicles, four-wheeler vehicles with its spare parts & accessories. During FY21 and FY22, company observed significant growth in its TOI due to increase in market demand owing to social distancing norms for COVID pandemic and simultaneous introduction of its new brand, TVS Ntorq. However, TOI of the company decreased by ~43% y-o-y in FY23 to NPR 7,811.54 Mn, which is in line with its pre-pandemic growth levels, mainly on account of lower demand scenario due to slow down in overall economy. EBITDA margin of the company declined to 9.43% in FY22 from 14.93% in FY22 on account of increase in direct costs and lower price realization owing to intense competition. Also, interest expenses increased by 30% in FY23 to NPR 475 Mn due to increase in interest rates during FY23.

#### **Cyclical nature of the industry and high competition from other automobile players**

Demand for vehicles increases during period of high economy growth rate period and low interest rate regime and vice-versa. Since the segment is highly price sensitive, any change in the prices of two-wheelers or increase in the petrol cost may have a bearing on the sales volumes. There are large number of players operating in market like Honda, Bajaj, Hero, Yamaha as well as increasing number of newer entrants. Due to high competition, dealers are forced to pass on discounts and exchange schemes to attract customer since it is a volume driven business.

#### **Working capital intensive nature of business**

Operation of the automobile industry are working capital intensive in nature, mainly on account of high inventory holding period, coupled with high credit provided to the dealers. In FY23, the collection period increased to 174 days in FY23 from 142 days in FY22 due to longer credit period provided to its dealers, influenced by the prevailing economic conditions. However, the average utilization of working capital loan during FY23 remains at moderate side at ~55% against its drawing power.

## Exposure to regulatory risk

JMPL's business remains exposed to regulatory risk arising from various regulations, such as changes in tariffs, related to import of automobiles. Furthermore, frequent policy adjustments, like restrictions on certain motorcycles import and the requirement of 50% cash margin for importing two wheelers, as observed in the past, could directly impact company's revenue and margins. The ability of the company to effectively manage the impact of regulatory changes by the GoN would also remain a key rating sensitivity.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

## About the Company:

Incorporated in December 27, 2010 as S.G Global Private Limited (SGP), which was later converted to Jagdamba Motors Private Limited (JMPL) on June 28, 2015. JMPL is the sole authorized distributor of TVS Motor Company Limited (TVSM) in Nepal from September 2015 and sole authorized distributor of PROTON Cars in Nepal from FY20. JMPL is a part of Shanker Group, managed by Mr. Shahil Agrawal.

## Financial Indicators (Standalone)

For the year ended* As on	FY20	FY21	FY22	FY23
	Audited			Unaudited
Total Operating Income (in NPR Mn.)	6,659	13,135	13,618	7,812
EBITDA Margin (%)	10.61	14.68	14.93	9.43
Interest Coverage Ratio (x)	2.63	11.75	5.60	1.55
Current Ratio (x)	1.25	1.15	1.16	1.26
Overall Gearing Ratio (x)	2.13	2.51	1.72	1.67

*Earnings before Interest Tax Depreciation Amortization (EBITDA)*

\*Classification as per Infomerics Nepal standards

## Annexure:1 Detail of Facilities:

Name of Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Fund Based Bank Facilities-Term Loan	Long Term	1,163.57	IRN BBB+
Fund Based Bank Facilities-Proposed	Long Term	21.89	IRN BBB+
Fund Based Bank Facilities-Fluctuating Working Capital Loan	Short Term	1,914.20	IRN A2
Fund Based Bank Facilities-Proposed	Short Term	207.04	IRN A2
Non Fund Based Bank Facilities-Non Fund Based Loan	Short Term	2,081.40	IRN A2
<b>Total Facilities</b>		5,388.10	

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### About Infomerics Credit Rating Nepal Limited:

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