

June 28, 2024

Girnar Software Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Compulsorily convertible debentures (CCDs)	49.00	49.00	[ICRA]BBB-(Stable) reaffirmed
Total	49.00	49.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation continues to favourably factor in Girnar Software Private Limited's (GSPL, the Group) established market position in the Indian online auto-tech market, across both the new and used car segments. The rating also takes comfort from GSPL's comfortable liquidity profile/financial flexibility, aided by its ability to attract substantial investment from reputed private equity (PE) players (across various rounds of fund raising), who have committed investments of over ~Rs. 3,500 crore in the Group since start of operations. Hence, the Group's dependence on external borrowings has remained limited to working capital borrowings with no significant debt repayments (only lease obligations in end-FY2024) in the near to medium term.

Even though the company has been focusing on reducing the scale of operations of the used car business, a ramp up in the scale of operations of the insurance and financial services segments has helped the company report flattish revenues in FY2024. ICRA notes that the Group has also been successful in raising funds at subsidiary and associate companies. In FY2024, Girnar Insurance Broker Private Limited raised ~Rs. 320 crore, followed by ~Rs. 310 crore in the Group's international business – Carbay Pte Ltd (Singapore) in FY2024. The company is also raising funds in its education business (Girnarsoft Education Services Private Limited).

The rating remains constrained by the continuation of substantial operating losses recorded by the company. However, the company's operating losses reduced to ~Rs. 300 crore in FY2024 (from Rs. 537 crore in FY2023), aided by a reduction in the scale of operations of the loss-making used car business along with the expansion of the margin-accretive new car and financial services businesses. While a further scale down in the used car business (down to ~9% of revenues in FY2024 from 42% of revenues in FY2023), is expected to curtail losses further, a scale-up of operations in the other segments (particularly insurance segment) may result in an extended period of operational losses at the consolidated level, which remains a monitorable. Additionally, while a lower scale of the used car business eases the inventory risk for the company, a planned increase in scale of operations in the insurance segment could lead to an expansion in the Group's receivables and remains a monitorable.

GSPL's ability to breakeven at the consolidated level and raise additional funds to scale-up across segments in the interim period, remains pivotal to its credit profile. Further, GSPL's ability to remain relevant and achieve profitability while facing significant competition in the tech-driven business, remains crucial for its growth prospects. The competitive and dynamic nature of the industry necessitates continuous upgradation of processes and products to sustain competitive advantage, requiring continuous investments in technology.

The Stable outlook on the long-term rating reflects ICRA's expectation that GSPL will continue to occupy an established position in the auto-tech market over the medium term. Further, a comfortable capital structure and liquidity would help the company navigate the ongoing ramp-up in the insurance and financial services segment or any other contingencies.

Key rating drivers and their description

Credit strengths

Established position as a leading online auto classifieds portal – GSPL is an established participant in the online auto classifieds sector. Cardekho.com, GSPL’s primary web portal, leads the market in terms of customer visits and caters to both the new and used car segments. In addition, GSPL has firmed up its presence in the insurance and finance segments over the years. The Group earlier primarily focused on financing of used cars; however, it has recently forayed into personal lending and has plans to start lending for commercial vehicles as well. GSPL’s scale of operations has increased considerably over time through organic as well as inorganic growth strategies, which have further secured the Group’s position in an increasingly competitive market.

Strong growth prospects across businesses over medium term – GSPL’s presence across the diverse yet interconnected segments of new auto, used auto, insurance and finance businesses, backed by a competitive technology platform, provides the Group with a strong position in a growing market. GSPL stands well placed to leverage from the expected growth in the domestic insurance industry driven by increasing financial literacy and improving internet and smartphone penetration in the rural and semi-rural markets. This is expected to help offset the reduced focus on the used car segment of GSPL over the near to medium term. During FY2024, the company acquired Revv, a car rental and subscription business, which further expands on the Group’s offerings in the auto-tech sector.

Financial flexibility provided by strong investor base; comfortable liquidity position – GSPL benefits from a history of fund raises from prominent PE investors such as Sequoia Capital, Hillhouse CD Holdings, Lenarco, and PingAn, among others. The parent company raised its latest round of equity of \$ 160 million (~Rs. 1,195 crore) in October 2021, which was led by Leapfrog Investments. Subsequently, the Group raised funds worth ~\$ 110 million (~Rs. 802 crore) for the insurance business in FY2023. Further, during FY2024 the company raised ~Rs. 310 crore and Rs. 320 crore in Girnar Insurance Broker Private Limited (GIBPL, Insurance Dekho) and Carbay Pte Ltd (Singapore), respectively. GSPL’s ability to continue to raise funds to support its growth and expansion plans while maintaining an adequate liquidity (cash and investments of, and ~Rs. 1,421.5 crore as of April 30, 2024), continues to provide comfort.

Credit challenges

Operating losses continue to weigh on credit metrics – The company continues to record substantial operating losses, driven by its attempt to scale-up operations across segments; the same continues to constrain the credit metrics. While the bulk of the expenses emanate from outlay towards employees and advertising, both of which are expected to be better absorbed with an increase in scale of operations, the Group’s ability to breakeven at a consolidated level and raise timely funds to scale-up operations remains crucial for improving its credit metrics.

High competitive intensity in key operating segments – Even though the entity operates across multiple segments – auto tech, insurance, financial services etc., it remains exposed to high competitive intensity across these segments, led by presence of many organised players, such as Cars24, Spinny, Droom and CarTrade in the auto tech segment and PB Fintech Private Limited (PolicyBazaar) and start-ups such as Turtlemint and RenewBuy in the insurance sector. This reduces pricing flexibility, increases the selling/ branding expenses and is likely to affect the consolidated Group’s profitability.

Exposure to slowdown in automobile sector and other exogenous shocks – The entity operates across various segments – auto tech, insurance, financial services etc. However, in GSPL’s non-auto segments, which formed majority of the consolidated operating income in FY2024, majority of its revenues were driven by automobile sector. Hence, the Group remains exposed to exogenous shocks, which may adversely impact demand in the automotive industry and constrain its scale of operations.

Liquidity position: Adequate

The company's liquidity is expected to remain adequate in the near to medium term. The Group does not have any repayment liabilities and plans to incur limited capital expenditure in FY2025. Although the free cash flows have remained negative, the Group has met its funding requirements through fund raises from various PE players. A healthy cash and investment balance (Rs. 1,421.5 crore as on April 30, 2024) provides comfort regarding the company's ability to meet its obligations in a timely manner.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a substantial improvement in scale of operations along with a sustained breakeven at OPBDITA level, while maintaining a comfortable liquidity position.

Negative factors – ICRA could downgrade the rating if there is a weakening in the liquidity position of the entity, led by higher-than-anticipated cash losses or significant capex undertaken on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of GSPL. The details are given in Annexure II.

About the company

Incorporated in 2006 as a software service provider, GSPL started providing online search-related services and information on new automobiles to consumers and automobile dealers in 2008. The Group connects automobile dealers, OEMs and customers through several websites such as Cardekho.com, Trucksdekho.com, Bikedekho.com, Pricedekho.com, gaadi.com and zigwheels.com, among others. GSPL derives revenues through lead conversion, advertisements, and direct sale of used autos, operating across the B2B, B2C and D2C segments. Additionally, it facilitates financing and insurance of automobiles by integrating the same on its portals. GSPL's subsidiary, Girnar Automobiles Private Limited, owns the Cardekho portal while another subsidiary, Girnar Insurance Brokers Private Limited, is an IRDA registered insurance broker. In FY2022, the Group started loan servicing for banks and other NBFCs through its subsidiary Rupy; the company also entered the personal lending space in FY2024 and plans to expand into commercial vehicle lending as well.

The company diversified into other Southeast Asian markets (~13% of revenues in FY2024) of Indonesia (September 2016-organised the online auto classifieds segment through its portal – Oto.com), Philippines (November 2019-through acquisition of Carmudi (leading new auto player in the Philippines), Malaysia (December 2020) and launched in Thailand (Zigwheels.co.th). In these markets, the Group generates revenues through its classifieds, lead generation and financial services.

Key financial indicators (audited)

GSPL Consolidated	FY2023	FY2024*
Operating income	2,334.1	2,296.9
PAT	(517.0)	(185.8)
PAT (after share of profit of JV/associates)	(562.1)	(227.4)
OPBDIT/OI	-23.0%	-11.7%
PAT/OI	-22.2%	-8.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	(0.5)	(1.3)
Interest coverage (times)	(26.0)	(10.0)

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jun 28, 2024	Jun 30, 2023	Jun 30, 2022	Jun 14, 2021
1 Compulsorily Convertible Debentures	Long term	49.0	49.0	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)

*An update on reason for delay in periodic surveillance was published on April 29, 2020

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based –Compulsorily Convertible Debenture	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE731P08023	Compulsorily Convertible Debentures	Jan 9, 2019	0.00001%	Jan 8, 2029	49.00	[ICRA]BBB-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	GSPL Ownership	Consolidation Approach
Girnar Software Private Limited	100% (rated entity)	Full Consolidation
Gaadi Web Private Limited	100.00%	Full Consolidation
Girnarsoft Automobiles Private Limited	100.00%	Full Consolidation
Girnar Care Private Limited	100.00%	Full Consolidation
Carbay Pte Ltd (Singapore)	70.24%	Full Consolidation
PT Carbay Services Indonesia	99.99% (wholly held by Carbay Pte Ltd)	Full Consolidation
Carbay Philippines Inc	100% (wholly held by Carbay Pte Ltd)	Full Consolidation
OTO (Thailand) Co. Ltd.	49% (wholly held by Carbay Pte Ltd)	Full Consolidation
Carbay Finserv Pte. Ltd. (Singapore)	100% (wholly held by Carbay Pte Ltd)	Full Consolidation
Carbay Services Malaysia Sdn. Bhd.	100% (wholly held by Carbay Pte Ltd)	Full Consolidation
Carbay Services Private Limited (India)	100% (wholly held by Carbay Pte Ltd)	Full Consolidation
Girnar Software (SEZ) Private Limited	100.00%	Full Consolidation
Powerdrift Studios Private Limited	100.00%	Full Consolidation
Girnar Insurance Brokers Private Limited	55.69%	Full Consolidation
Girnar Finserv Private Limited	56.50%	Full Consolidation
PrimeMover Mobility Technologies Private Limited	88.70%	Full Consolidation
Girnarsoft Education Services Private Limited	37.30%	Equity Method
Getmyuni Education Services Private Limited	100% (wholly held by Girnarsoft Education services Private Limited)	Equity Method
PrepBytes Technologies Private Limited	100% (wholly held by Girnarsoft Education services Private Limited)	Equity Method
Girnar Capital Private Limited	25%	Equity Method

Source: Company; Note: ICRA has factored in the consolidated financials of GSPL while arriving at the rating.

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