PR Cars LLP

February 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	36.28 (Enhanced from 31.28)	CARE B+; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B; Stable

Details of instruments/facilities in Annexure-1.

The rating previously assigned to the bank facilities of PR Cars LLP (PCL) were denoted as CARE B; Stable; ISSUER NOT COOPERATING; since, the firm did not provide the requisite information for monitoring the rating. Further, in line with the extant SEBI guidelines, CARE Ratings Limited (CARE Ratings) reviewed the rating on the basis of the best available information. However, the firm has now submitted the requisite information to monitor the rating and CARE Ratings has carried out a full review of the rating and the rating stands at 'CARE B+; Stable'.

Rationale and key rating drivers

The rating assigned to the bank facilities of PCL remains constrained by the cyclical nature of the auto industry, pricing constraints and margin pressure arising out of competition from various auto dealers in the market. The rating also factors in the leveraged capital structure and weak debt service indicators along with the working capital-intensive nature of operations and stretched liquidity position. However, the rating is partially offset by improving operational performance, experienced management and authorized dealer of Hyundai Motor India Limited (HMIL).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in total operating income (TOI) above ₹200 crore along with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of above 4%.
- Improvement in capital structure as marked by overall gearing below 3x on sustained basis.

Negative factors

- Decline in TOI below ₹140 crore along with PBILDT margin below 3% on a sustained basis.
- Deterioration in capital structure due to increasing reliance on working capital borrowing as marked by total debt to PBILDT of above 15x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that PCL will continue to derive benefit from its long-standing experience of partners in the industry.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and weak debt service indicators

As on March 31, 2024, the debt profile of the firm comprises of term loan to the tune of ₹27.61 crore, unsecured loan to the tune of ₹1.55 crore and working capital limits utilized at ₹33.48 crore against relatively small tangible net worth of ₹10.38 crore. The capital structure of the firm deteriorated and remain weak as marked by overall gearing ratio at 6.03x as on March 31, 2024, as compared to 4.23x as on March 31, 2023, on account of high dependence on external borrowing by the firm to fund the incremental working capital requirements. Further, the debt service coverage indicators of the firm stood weak owing to low profitability coupled with high debt levels. The firm interest coverage ratio stood at 1.09x as on March 31, 2024, as against 0.41x as on March 31, 2023. CARE Ratings believe improvement in the capital structure over the short to medium term driven by pre-payment of term-loan.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Working capital intensive nature of operations
The operation of the firm is working capital intensive as marked by elongated operating cycle as the firm needs to stock different models of vehicles and spares in the showrooms to ensure adequate availability and visibility, this leads to higher inventory days. However, the operating cycle improved to 90 days as on March 31, 2024 (PY: 100 days). The firm procures passenger vehicles and spare parts from HMIL by making advance payment resulting in collection period of 47 days as on March 31, 2024. As on balance sheet date, ~70% of the limits utilized were advanced to HMIL.

Partnership nature of constitution
The inherent risk of withdrawal of capital in a partnership firm poses several risks that can impact the business's stability and operations. This financial strain can hinder the partnership's ability to meet obligations and invest in growth opportunities which in turn affect the operating efficiency of the organization. However, the partners of the firm have infused in capital of ₹0.28 crore during FY24 (refer to the period April 01 to March 31) and ₹3.50 crore till January 31, 2025, and will further support the operations if needed to support the operations of the firm.

Cyclical nature of the auto industry
The automotive sector is dependent on economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to 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 policies implemented by the government also have a direct bearing on the sale of passenger vehicles.

Pricing constraints and margin pressure arising out of competition from various auto dealers in the market
Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Maruti Suzuki India Limited, Tata Motors, Hyundai, Honda, Toyota etc. in the passenger vehicle segment. Original Equipment Manufacturers (OEMs) are encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global players in the Indian market has further intensified the competition. Hence, OEMs offer various discount schemes to attract customers. Due to very high competition in the industry, dealers are also forced to pass on discounts and exchange schemes to attract customers as this is a volume-driven business. Dealers' fate is also linked to the industry scenario and performance of OEMs. The firm is dealer of HMIL and hence, the performance and prospects of the firm are highly dependent on HMIL being its principal.

Key strengths

Improving operational performance
TOI grew at a compounded annual growth rate (CAGR) of 28% in the last 5 years ended FY24 and increased to ₹146.54 crore in FY24 against FY23. The profitability margins as marked by PBILDT and PAT margin also improved to 4.46% and 0.45%, respectively, in FY24 (PY: 1.71% and 0.39%, respectively). The firm's profitability margins have remained within the 6-7% range due to controlled discount offerings. However, margins were affected in FY23 due to debt-funded expansion plans. During 9MFY25 (refers to the period April 01 to December 31), the firm achieved TOI of ₹120 crore and is expected to achieve ~₹170 crore in FY25. CARE Ratings believe improvement in operational performance of the firm in the medium to long term, driven by addition of new showroom.

Experienced management
The firm was incorporated in 2018 and is promoted by Harshit Bajaj with an experience of 12 years and Mansi Bajaj who has an experience of 10 years in dealership business. They have dealership of Royal Enfield and Bajaj in two-wheeler Segment. They operate through 3S model (Sales, Service, Spares). Further, the firm has a dedicated team of marketing and sales professionals, service in-charge and customer relation officers, who have around 5-10 years of experience in their respective fields.

Authorized dealer of Hyundai Motor India Limited
PR Cars LLP is the authorized dealer of HMIL and has wide and established distribution network and a network of service centers across India which provides it a competitive advantage over its peers. HMIL's fully integrated state-of-the-art manufacturing plants boasts advanced production, quality, and testing capabilities.

Liquidity: Stretched

The liquidity position remained stretched as marked by low gross cash accruals and cash and liquid investments against debt repayment obligation of ₹2-3 crore in FY25. The firm intends to pre-pay the term debt and currently holds long-term debt of ₹16-17 crore as on January 31, 2025. The partners have infused in capital of ₹3.50 crore till January 31, 2025, along with that the non-operating income are used to pre-pay the long-term debt. Further, the current and quick ratio of the firm stood at 1.29x and 0.70x, respectively, as on March 31, 2024 (PY: 1.50x and 0.78x, respectively). As per bankers' feedback, the limits remain fully utilized.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Dealer

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

PCL established in the year 2018 is an authorized dealer of HMIL one of the market leaders in the automobile industry. They have been associated with HMIL since its inception and have received several awards for Sales, Service, Parts & Customer Satisfaction. The Sales Team is professionally trained by HMIL on a regular basis to keep them abreast about the latest technologies. Their Service Centers are in Chowk, Lucknow & IIM road, Lucknow and are equipped with all modern and state of the art facilities which are as per Hyundai's Global Standards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	88.91	146.54	120.00
PBILDT	1.52	6.54	NA
PAT	0.35	0.65	NA
Overall gearing (times)	4.23	6.03	NA
Interest coverage (times)	0.41	1.09	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has continued the ratings assigned to the bank facilities of PCL into 'Issuer not cooperating' category vide press release dated May 17, 2024, on account of non-availability of requisite information from the entity.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	20.00	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	-	March 2030	16.28	CARE B+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	16.28	CARE B+; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Feb-24)	1)CARE B; Stable (10-Jan-23)	1)CARE B+; Stable (16-Mar-22)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE B+; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Feb-24)	1)CARE B; Stable (10-Jan-23)	1)CARE B+; Stable (16-Mar-22)

*Issuer did not cooperate; based on best available information.
LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-67543444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Srishti Jain Rating Analyst **CARE Ratings Limited** E-mail: Srishti.jain@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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