

## Premier Car Sales Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	67.84	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	85.22	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Premier Car Sales Limited (PCSL) factor in experienced promoters with established track record while having long-standing associations with its principal, Hyundai Motor India Limited and efficient management of working capital cycle. The ratings also factor in company's growing scale of operations with moderate profitability and comfortable financials risk profile. The ratings also draw comfort from the company being sole authorized distributor of Hyundai spare parts in entire Uttar Pradesh. These ratings strengths, however, continue to remain constrained by limited bargaining power with Original Equipment Manufacturer (OEM), inherent competition and cyclical nature of auto industry and fortunes of the company linked with growth plans of the manufacturer.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations by more than 20% while maintaining PBILDT margin above 7% on a sustainable basis.
- Ability of the company to effectively manage working capital requirement, thereby reducing reliance on external borrowings leading to improvement in overall liquidity position.

#### Negative factors

- Any increase in debt levels leading to deterioration in overall gearing at above 1.00x
- Decline in total operating income by more than 20% and PBILDT margin below 4%.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that PCSL will sustain growth in its operational performance and continue to derive benefit from it being a sole authorised distributor of Hyundai spare parts in the state of Uttar Pradesh.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced Promoters

The overall management of PCSL is looked after by Vijay Kumar Agarwal (Managing Director) who has an experience of over four decades in the automobile dealership business. Mr. Agarwal commenced his career with dealership of Premier cars in 1981. Subsequently in 1998, PCSL was awarded dealership of Hyundai Motor India Limited. Due to longstanding experience in the automobile dealership business, the promoter has been able to expand their dealership network by obtaining dealership of Honda's two wheelers in 1999. He is ably supported by his brothers Suresh Kumar Agarwal and Sushil Kumar Agarwal, who have experience of over two decades in same business.

#### Established track record of operations and long-standing association with OEMs

PCSL is engaged in automobile dealership business for over 4 decades and has a long-standing association with its principal Hyundai Motor India Limited (HMIL). PCSL is the oldest Hyundai dealer in Uttar Pradesh and is also the sole authorized distributor of Hyundai spare parts in entire Uttar Pradesh. Over the years, the company has expanded its operations by obtaining dealership of Honda's two wheelers as well as parts dealership for Hyundai and Ashok Leyland. PCSL has an integrated mode of operations, functioning in various verticals of automobile dealership business to provide one stop solution to its customers. It operates service stations, sells spare parts, and also has tie-ups for vehicle finance and insurance. This allows it to provide a comprehensive range of services to the customer at a single point.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Growing scale of operations.

The operating income of the company is on growing trajectory for the past five financial years. During FY24 (refers to April 01, 2023 to March 31, 2024), the scale has improved by approximately 8.11% and stood at Rs 735.85 crores particularly on account increased sale from spares segment along with better sales realisation from cars sold. The margins however, moderated as marked by PBILDT margin and PAT margin of 4.83% and 2.68% respectively in FY24 due to higher discounts offered to clear the inventory.

During 10MFY25 (refers to April 01, 2024 to January 31, 2025), the company has achieved operating income of Rs. 643.36 crores with PAT margin of 2.23%.

### Efficient management of working capital cycle

The company has efficiently managed its working capital cycle as reflected in its operating cycle days of 49 days for FY24 (PY: 36 days). The company is required to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility, thus leading to moderate levels of inventory. The average inventory holding days of the company stood at 52 days during FY24 (PY: 39 days). The sales are made to the customers mostly on "Cash and Carry" basis with certain percentage of vehicles bought on vehicle financing from banks. The same leads to the average collection period of around 10 days. Further, on account of the limited bargaining power of the OEM, the company receives the shorter credit period of around 7-10 days.

### Comfortable financial risk profile

The capital structure of the company is comfortable as the overall gearing stood at 0.72x as on March 31, 2024. The same has however, moderated against previous year ratio of 0.49x owing to additional term loan borrowed for capital expenditure incurred on new showroom and workshop along with more reliance on external funding borrowings for managing inventory. The gearing levels are envisaged to improve going forward. The debt coverage indicators stood moderate as marked by interest coverage ratio and total debt to GCA ratio of 3.76x and 4.57x respectively as on March 31, 2024.

### Key weaknesses

#### Inherent competition and cyclical nature of the auto industry

The company is exposed to competition from the products of other OEM's and dealers operating in the same region. In order to capture the market share, the auto dealers' offer better buying terms like allowing discounts on purchases. Accordingly, the company has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's association with its customers, its established network helps it to sustain the competition to an extent and maintain its strong market position in the region. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

#### Limited bargaining power

PSCL's business model is largely in the nature of trading wherein profitability margins are moderate. Moreover, dealers have less bargaining power over principal manufacturer. In order to capture the market share, the auto dealers' offers better buying terms like allowing discounts on purchases. Such discounts offered to customers create margin pressure. The company procures its product directly from its principal; and is not dependent upon any dealers/distributors for business which helps the company to avail better pricing of purchases. Furthermore, the fortunes of the company are directly linked to its supplier. This also exposes the company's revenue growth and profitability to its supplier's future growth prospects. Any impact on business and financial profile of the manufacturer will also have an impact on the growth prospects of the company.

#### Liquidity: Adequate

Liquidity profile of the company stood adequate as reflected by expected GCA of approximately Rs. 28-29 crores as against debt repayment obligation of Rs 1.72 crores. Company has incurred capital expenditure towards setting up new showroom and workshop. Further, the average utilization of working capital borrowings stood at around 71% for twelve-month period ending December 2024. Further, the company would be incurring normal maintenance capex of Rs. 5.00 crores which would be met through internal accruals.

#### 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](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

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

PCSL was incorporated in 1981 and promoted by Mr. Vijay Kumar Agarwal. The company is an authorized dealer of Hyundai for sale of passenger vehicles and Honda for sales of Two-wheeler in Uttar Pradesh. The company owns 8 showrooms (Honda: 4 and Hyundai: 4), 8 workshops (Honda: 3 and Hyundai: 5) in Lucknow and a stock yard and 2 parts dealerships of Hyundai and Ashok Leyland in Darsaniya, Barabanki (UP).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	680.59	735.85	643.36
PBILDT	36.15	35.53	NA
PAT	23.83	19.73	14.35
Overall gearing (times)	0.49	0.72	0.60
Interest coverage (times)	7.70	3.76	NA

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

**Status of non-cooperation with previous CRA:** Brickwork has conducted the review on the basis of best available information and has classified the Premier Car Sales Limited as "Not cooperating" vide its press release dated April 01, 2024.

**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	-	-	-	-	30.00	CARE BBB+; Stable
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	-	12.98	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	31-01-2032	24.86	CARE BBB+; Stable
Fund-based - ST-Working Capital Limits	-	-	-	-	52.50	CARE A2
Non-fund-based - ST-BG/LC	-	-	-	-	32.72	CARE A2

**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-Electronic Dealer Financing Scheme	LT	12.98	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)	1)CARE BBB; Stable (11-Mar-22)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)	1)CARE BBB; Stable (11-Mar-22)
3	Fund-based - LT-Term Loan	LT	24.86	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)	1)CARE BBB; Stable (11-Mar-22)
4	Fund-based - ST-Working Capital Limits	ST	52.50	CARE A2	-	1)CARE A2 (19-Mar-24)	1)CARE A2 (30-Mar-23)	1)CARE A3+ (11-Mar-22)
5	Non-fund-based - ST-BG/LC	ST	32.72	CARE A2	-	1)CARE A2 (19-Mar-24)	1)CARE A2 (30-Mar-23)	1)CARE A3+ (11-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - ST-Working Capital Limits	Simple
5	Non-fund-based - ST-BG/LC	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

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 91-120-4452000 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Rajan Sukhija Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452000 E-mail: <a href="mailto:Rajan.Sukhija@careedge.in">Rajan.Sukhija@careedge.in</a>
	Abhay Wanchoo Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Abhay.Wanchoo@careedge.in">Abhay.Wanchoo@careedge.in</a>

### About us:

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