

Harbir Automobile Private Limited

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	70.88	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Harbir Automobile Private Limited (HAPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s (CARE Ratings) rating on HAPL's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to HAPL are constrained by low profitability margins, leveraged capital structure and weak debt coverage indicators. The ratings, further remain constrained on account of pricing constraints and margin pressure arising out of competition from various auto dealers in the market, cyclical nature of the auto industry. The rating, however, derive comfort from growing albeit moderate scale of operations with stable profitability margins. The rating also draws strength from experienced management, and moderate operating cycle of the company.

Analytical approach: Standalone

Outlook: Stable

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

Detailed description of key rating drivers:

At the time of last rating on March 06, 2024, the following were the rating strengths and weaknesses (updated based on information available from the company).

Key weaknesses

Leveraged Capital structure and weak debt coverage indicators

The capital structure of the company is leveraged marked by the overall gearing of 5.47x and Debt to equity of 0.82x as on March 31, 2024, as compared to 3.45x and 0.73x respectively as on March 31, 2023. The capital structure as envisage is expected to remain leverage over the medium term on account of high reliance on external borrowing due to working capital requirements. The debt coverage indicators remained weak as marked by interest coverage ratio (ICR) and total debt to gross cash accruals (TDGCA) which stood at 2.23x and 18.32x, respectively, as on March 31, 2024 (PY: 2.60x and 8.44x, respectively).

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 (MSIL), Mahindra & Mahindra Limited (MML), Tata Motors, Hyundai Motor Company, Honda Motor Company etc. in the passenger vehicle segment. HAPL's operations are geographically restricted to Punjab. Original Equipment Manufacturers (OEMs) are also encouraging more dealerships to improve penetration and sales, thereby increasing competition amongst dealers. Entry of the global OEMs in the Indian market has further intensified the competition. Hence, OEMs have to 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 and capture market share. Dealers' fate is also linked to the industry scenario and performance of OEMs. HAPL's prospects are governed directly by the performance of MML. Any downturn in its performance or change in nature of agreement with dealers will directly affect the financial and operating performance of HAPL.

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

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.

Key strengths

Growing scale of operations albeit low profitability margins

The scale of operations of the company grew substantially as marked by the total operating income (TOI) of ₹643.29 crore in FY24 (refers to April 01 to March 31) as against ₹467.84 crore in FY23. The increase in TOI was mainly on account of increase in the number of bookings for cars. During 8MFY25 (refers to April 01 to November 30), the company has booked TOI of ₹606.48 crore. However, the profitability margins of the company remain low as marked by the profit before interest, lease rentals, depreciation and taxation (PBILDT) and profit after tax (PAT) margin of 1.69% and 0.54%, respectively, in FY24 as against 1.87% and 0.72%, respectively, in FY23. The margins of the company remain on the lower side due to dealership nature of business. The margins are expected to remain lower side over the medium term due to discount offered by HAPL to cop-up with competition from the other auto dealers in the market.

Moderate Operating cycle

The operating cycle stood at 37 days as on March 31, 2024, as against 31 days as on March 31, 2023. The company needs to stock different models of vehicles and spares in the showrooms to ensure adequate availability and visibility leading to inventory days of around a month. The company manages to avail high booking amount from customers for majority of its models which enables the company to manage its collection period of 1-2 week. Further, the company procures passenger cars from OEM in advance and consumables from local players on a credit period. Besides this, the large working capital requirements are met through bank borrowings.

Experienced management

The overall operations of the company are currently managed by the directors of the company Harbir Singh and his son Maneet Singh. Harbir Singh has done B.Sc. while Maneet Singh has done B.Tech. Harbir Singh and Maneet Singh hold an experience of around two decades and five years, respectively in the similar kind of business. The directors have adequate acumen about various aspects of business which is likely to benefit HAPL in the long run.

Liquidity: Stretched

The company had moderate free cash and bank balance of ₹17.23 crore as on March 31, 2024. The company has reported gross cash accruals of ₹4.94 crore during FY24. However, the working capital requirements of the company remain on higher side and thus company has to rely on external borrowings. Further, with envisaged growth in scale of operations, the working capital requirements of the company is expected to increase further.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)
[Rating Outlook and Rating Watch](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[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

HAPL was incorporated in January 2015 and is an authorized automobile dealer of MML for commercial and passenger vehicles. The company has one showroom in Chandigarh and one in Panchkula with fully equipped 3S set up. Recently, the company has rented one showroom in Chandigarh and opened one workshop. The company also has small display outlets in Kalka and Dera Bassi, small towns in the state of Punjab. The company is managed by its directors Harbir Singh and Maneet Singh. The company procures vehicles from Mahindra and Mahindra Limited. Harbir Singh has an experience of around two decades in the similar line of business. Maneet Singh, son of Harbir Singh has an experience of more than five years in the business. The company has a group concern namely Speed Motors which is associated with Nissan dealership having a territory of Tri City and parts of Punjab. Speed Motors is established in 2006.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	467.84	643.29	606.48
PBILDT	8.76	10.86	NA
PAT	3.37	3.48	NA
Overall gearing (times)	3.45	5.47	NA
Interest coverage (times)	2.60	2.23	NA

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

Status of non-cooperation with previous CRA: Not applicable

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	-	-	-	-	18.50	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	March 2037	3.58	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits	-	-	-	-	48.80	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-Cash Credit	LT	18.50	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (06-Mar-24)	1)CARE B+; Stable (22-Feb-23) 2)CARE B-; Stable; ISSUER NOT COOPERATING * (04-Jan-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (18-Oct-21)
2	Fund-based - LT-Working Capital Limits	LT	48.80	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (06-Mar-24)	1)CARE B+; Stable (22-Feb-23) 2)CARE B-; Stable; ISSUER NOT COOPERATING * (04-Jan-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (18-Oct-21)
3	Fund-based - LT-Term Loan	LT	3.58	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (06-Mar-24)	1)CARE B+; Stable (22-Feb-23)	-

*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
3	Fund-based - LT-Working Capital Limits	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 Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: +91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in