

Concept Cars Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	41.00 (Reduced from 43.00)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	24.00 (Enhanced from 22.00)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Concept Cars Limited (CCL) factors in the moderate financial risk profile in FY24 (refers to April 01 to March 31) characterised by moderate capital structure and moderation in debt coverage indicators, however shown slight improvements during 9MFY25 (refers to April 01 to Dec 31). The rating continues to be constrained by low profitability margins, limited bargaining power with principal automobile manufacturer coupled with intense competition in the industry. These rating, however, continues to derive strength from experience of promoters along with long track record of operations and growing scale of operations albeit low profitability margins.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with total operating income growing more than Rs. 350 crores coupled with PBILDT margin above 5.50% on sustained basis.
- Improvement in solvency position as reflected by overall gearing below 1.25 times.

Negative factors

- Any further deterioration in profitability margins below 4% on a sustained basis.
- Any further deterioration in capital structure due to increased dependence on working capital borrowing from present level on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook assigned to the bank facilities of CCL takes into account capabilities of the management due to its long track record of operations to mitigate the inherent risk related to competitive nature of industry without compromising much on operational aspects.

Detailed description of key rating drivers:

Key weaknesses

Moderate Financial Risk Profile as reflected by high gearing and low interest coverage.

The capital structure of the company remains moderate as reflected by the long-term debt to equity ratio and overall gearing ratio of 0.06x and 1.97x, respectively, as of March 31, 2024, as against long-term debt to equity ratio and overall gearing ratio of 0.14x and 1.81x, respectively, as at March 31, 2023. The high gearing is due to utilisation of working capital limits coupled with moderate net worth of Rs. 33.79 crores. Further, due to high utilisation of working capital limits, interest cost of the company remains higher leading to weak debt coverage ratio as total debt/GCA and interest coverage ratio stood at 12.01x (PY:12.20x) and 1.72x (1.92x) respectively during FY24.

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

Limited bargaining power with principal automobile manufacturer

Being primarily into auto dealership business, CCL's business model is largely in the nature of trading wherein profitability margins are inherently thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin of vehicles is set at a particular level by the principal manufacturer thereby restricting any incremental income for CCL. Further, auto dealers face competition from other dealers of nearby locations which forces company to provide discounts and attractive offers which further impacts profitability margins.

Intense competition in the industry

Indian passenger vehicle industry is highly competitive in nature as there are large numbers of players operating in the market like Tata Motors Limited, Hyundai, Mahindra, Kia, Toyota, Maruti Suzuki etc. The performance of CCL is linked to the growth of Maruti Suzuki India Limited's (MSIL) and how it faces competition from the other passenger vehicle manufacturers. Apart from competition from the dealerships of other brand vehicles, CCL also faces direct competition from the other MSIL dealerships in the regions where it has presence. However, since MSIL is market leader in the auto industry it provides competitive edge to the company over the other dealers of other brands.

Key strengths**Experienced and resourceful promoters with long track record of operations.**

Concept Cars Limited (CCL) is promoted by Mr. Sajeev Agarwal and his sons Mr. Yash Vardhan Agarwal and Surya Vardhan Agarwal in the capacity of directors. All the promoters are associated with the company from its inception in 2010. Further, company has a dedicated team of marketing and sales professionals, service in charge and customer relation officers, who have more than one and half decade of experience in their respective field, which strengthen the business risk profile of company. Furthermore, promoters are resourceful and proven their ability to support business in the form of unsecured loans as and when required in the business having outstanding of Rs. 11.14 crores as at March 31, 2024, as against Rs 11.90 crores as of March 31, 2023, of which the entire loan is subordinated to bank loan.

Growing scale of operations albeit low profitability margin.

The total operating income (TOI) of the company increased to Rs. 312.60 crore (PY: Rs. 236.24 crore) in FY24. The increase in total income is mainly on account of increased demand of MSIL passenger vehicles during the period and increase in their on road prices. PBILDT slightly moderated to 4.57% in FY24 from 4.94% in FY23, however increased in absolute amount to Rs. 14.30 crore in FY24 from Rs. 11.68 crore owing to increase in TOI of the business leading to attain economies of scale. The company also achieved total income of Rs. 225.42 crores during 9MFY25. PBILDT further recorded at 6.51% during 9MFY25.

Liquidity: Adequate

The company has earned gross cash accruals (GCA) of Rs. 5.53 crore during FY24 and is projecting to generate GCA of around Rs. 6.50 crores annually against the scheduled repayment obligations of Rs. 2.57 crores for FY25. The current ratios stood at a moderate level of 1.05x as on March 31, 2024, as compared with 1.14x as on March 31, 2023. However, since the majority of funds are blocked in inventory, quick ratio stands below unity at 0.50x as on March 31, 2024, as compared to 0.58x as on March 31, 2023. The operating cycle has also improved to 68 days during FY24 as against 89 days during FY23. However, average working capital utilisation remained almost 90-95% utilised throughout the year.

Applicable criteria

[Policy on Default Recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Rating of Short Term Instruments](#)

[Services Sector](#)

About the company and industry

Industry classification

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

Incorporated in 2010, Concept Cars Limited (CCL) is an authorised dealer of Maruti Suzuki India Limited's (MSIL) (CRISIL AAA; Stable/CRISIL A1+ retained on January 09, 2025) passenger cars in Hardoi and Sitapur, Uttar Pradesh (UP). It is a closely held company established by Mr. Sajeev Agarwal and his sons. The company sells a varied range of Maruti vehicles along with services, sale of second-hand cars, repairs and spare parts through its various showrooms in UP. The company owns Nine showrooms (3S -sales, service and spare-parts) with attached workshop in Uttar Pradesh including an exclusive premium car showroom in Hardoi under MSIL's NEXA brand for selling premium Maruti cars.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	236.24	312.60	225.42
PBILDT	11.68	14.30	14.67
PAT	1.82	2.28	4.59
Overall gearing (times)	1.81	1.97	1.89
Interest coverage (times)	1.92	1.72	2.32

A: Audited UA: Unaudited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	41.00	CARE BB+; Stable
Fund-based - ST-Vendor financing		-	-	-	24.00	CARE A4+

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	41.00	CARE BB+; Stable	1)CARE BB+; Stable (02-Apr-24)	-	-	-
2	Fund-based - ST-Vendor financing	ST	24.00	CARE A4+	1)CARE A4+ (02-Apr-24)	-	-	-

LT: Long term; ST: 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 - ST-Vendor financing	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.

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