

Kairali Cars Private Limited

June 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	52.40	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Kairali Cars Private Limited (KCPL) is constrained by leveraged capital structure with weak debt coverage indicators, low profitability, geographical concentration of operations and intense competition and cyclical nature in the auto industry. However, the rating derives strength from growing scale of operations and experienced promoters in the auto dealership industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) beyond ₹550 crore while sustaining Profit before interest, lease rental, depreciation and tax (PBILDT) margin above 4% on sustained basis.
- Improvement in overall gearing below 1.5x on a consistent basis.

Negative factors

- Any further deterioration in the capital structure from current level.
- Deterioration in working capital indicators.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects the company is likely to maintain its operating and financial profiles over the medium term.

Detailed description of the key rating drivers

Key weaknesses

Leveraged capital structure with weak debt coverage indicators

KCPL's capital structure stood leveraged marked by overall gearing at 4.40x as on March 31, 2025, as against 3.43x as on March 31, 2024. Further, debt coverage indicators also remained weak marked by Total Debt/Gross Cash Accruals (TD/GCA) of 47.30x as on March 2025 (PY: 25.02x) and PBILDT interest coverage ratio at 1.30x in FY25 (PY: 1.88x). Going forward, KCPL plans to set up a service centre at Vyttila with a capex of ~₹6.5 crore funded by term debt of Rs 5 crore and fresh equity infusion.

Geographical concentration of operations

The operations of KCPL are majorly concentrated in two districts of Kerala, with three showrooms and two workshops. Consequently, KCPL holds a low market share compared to its competitors due to a new entrant in TKM dealership.

Intense competition and cyclical nature in the auto industry

The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. The policies implemented by the government in terms of local taxes and pollution control norms also have a direct bearing on the sale of passenger cars. 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.

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

Key strengths

Significant scaling up of operations

KCPL's TOI increased from ₹61.43 crore in FY23 to ₹363.12 crore in FY25 achieving compound annual growth rate (CAGR) of 80% for past 3 years ended FY25. The growth in scale is attributed to the addition of new showrooms and service centres and the launch of new car models by Toyota Kirloskar Motors (TKM). However, the profitability margins of the company remain low as marked by the PBILDT and PAT margin of 1.67% and 0.09% in FY25 as against 1.69% and 0.36% in FY24 due to trading nature of business and discounts offered to customers and low service income. Going forward, the company is expanding its service network and with a larger addressable base of vehicles on the road from its dealership, the service income is expected to increase and thereby improve profitability.

Experienced promoters in the automobile dealership industry

Kerala based, KCPL was established in 2022 and is promoted by Mr. Umesh Mohanan. While the entity has a limited track record, the promoter has extensive experience in the automobile dealership industry through the group entities, Indel Automotives Pvt. Ltd. (IAPL), Kerala Cars Pvt. Ltd. (KPL), Omega Motors Pvt. Ltd. (OMPL), Red Wings Pvt. Ltd. (RWPL), and others. KCPL has a total of 3 showrooms and 2 service centres in Kerala. The Group includes entities involved in the dealership of brands such as Volvo, Honda, Ford, Yamaha and Suzuki. The group is also into financial services through its flagship company Indel Money Ltd.

Liquidity: Stretched

The liquidity position of the company is stretched marked by tightly matched accruals to repayment obligations. Furthermore, current and quick ratios also remain moderate at 0.96x and 0.54x respectively as on March 31, 2025, as compared to 0.97x and 0.45x, respectively, as on March 31, 2024. The average working capital utilisation for the last 12 months ended March 2025 was ~73%. The company has unencumbered cash & bank balance of ₹5.52 crore as on March 31, 2025 (PY: ₹2.28 crore).

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](#)

[Service Sector Companies](#)

About the entity and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

KCPL incorporated in 2022 is a dealer of Toyota Kirloskar Motors for the South Kerala region. Currently, KCPL operates through 3 showrooms in Cheranalloor, Murinjapalam, Vyttila and 2 service centres. The company is part of the Indel Group promoted by Mr. Mohanan Gopalkrishnan and his son Mr. Umesh Mohanan. The group companies hold dealerships for major brands such as Volvo, Honda (4W), Yamaha, Suzuki, and Ford for Kerala.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	61.43	238.44	363.12
PBILDT	1.64	4.03	6.07
PAT	0.61	0.86	0.30
Overall gearing (times)	0.79	3.43	4.40
Interest coverage (times)	2.45	1.88	1.30

A: Audited UA: Unaudited ; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

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-Electronic Dealer Financing Scheme		-	-	-	43.50	CARE BB+; Stable
Term Loan-Long Term		-	-	31/01/2032	8.90	CARE BB+; 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 2025-2026	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
1	Term Loan-Long Term	LT	8.90	CARE BB+; Stable				
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	43.50	CARE BB+; Stable				

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-Electronic Dealer Financing Scheme	Simple
2	Term Loan-Long Term	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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