Premier Car Sales Limited

March 31, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	62.45 (Reduced from 67.84)	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	100.61 (Enhanced from 85.22)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

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. Ratings also factor in company's growing scale of operations with moderate profitability and comfortable financial risk profile. Ratings also derive comfort from the company's position as the sole authorized distributor of Hyundai spare parts across Uttar Pradesh, coupled with the recent addition of new Hyundai dealerships in the Lucknow region which will further contribute to scale of operations of the company. 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 on sustained basis
- Sustained decline in total operating income by more than 20% and PBILDT margin below 3.50%

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 led by Vijay Kumar Agarwal, who has over four decades of experience in the automobile dealership business. He commenced his career with dealership of Premier cars in 1981 and subsequently, in 1998, PCSL was awarded dealership of Hyundai Motor India Limited. The company also secured dealership of Honda Motorcycle & Scooter India Pvt. Ltd. in 1999. The promoters' longstanding presence in the automobile dealership business has enabled PCSL to establish a strong market position in Lucknow, supported by stable relationships with OEMs and customers. He is ably supported by his brothers, who have over two decades of experience in the same line of business.

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

PCSL has been engaged in the automobile dealership business for over four decades and maintains a long-standing association with Hyundai Motor India Limited. The company operates as an authorized dealer of Hyundai passenger vehicles and Honda two-

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

wheelers in Lucknow and surrounding regions. Over the years, PCSL has developed an integrated business model comprising vehicle sales, servicing, sale of spare parts and accessories, along with facilitation of vehicle financing and insurance. This integrated presence enables the company to provide end-to-end solutions to customers and ensures steady footfalls in service and spare segments, which typically provide relatively better margins and stable cash flows compared to vehicle sales.

Growing scale of operations albeit moderation in margins

The operating income of the company has exhibited a steady growth trend over the last five financial years, increasing from ₹513.87 crore in FY21 (refers to April 01, 2020 to March 31, 2021) to ₹769.77 crore in FY25, registering a CAGR of ~10%. During FY25, the company reported a y-o-y growth of around 4.6%, supported by steady demand for passenger vehicles and contribution from the spares and service segment. During 9MFY26 (refers to April 01, 2025, to December 31, 2025), the company has achieved operating income of ₹582.32 crore (UA), indicating continued scale in operations. However, profitability margins have witnessed moderation over the last two years. PBILDT margin moderated from 4.83% in FY24 to 4.13% in FY25 on account of higher discounts offered to push volumes, increase in employee and operating expenses, and higher inventory carrying costs. Consequently, PAT margin also moderated to 2.20% in FY25 from 2.68% in FY24 and further to 1.96% in 9MFY26 (UA). Furthermore, the addition of new Hyundai dealerships in the Lucknow region is expected to strengthen the company's operational performance in the coming periods.

Moderate albeit efficient management of working capital cycle

The business remains working capital intensive in nature. The company is required to maintain adequate inventory of various vehicle models and spare parts to ensure display and timely delivery. The average inventory holding period increased to 60 days in FY25 from 51 days in FY24. The operating cycle elongated to 58 days in FY25 (FY24: 49 days), primarily on account of higher inventory levels. The collection period remains comfortable at around 9 days in FY25, as sales are largely on cash-and-carry basis or through bank-financed customers. However, limited credit period from OEMs (average creditor period of ~12 days in FY25) necessitates reliance on working capital borrowings. Although working capital borrowings reduced during FY25, any significant build-up in inventory may again stretch liquidity and increase dependence on external funding.

Moderate capital structure

The capital structure of the company remains moderate. The overall gearing improved to 0.50x as on March 31, 2025, from 0.72x as on March 31, 2024, primarily on account of reduction in working capital borrowings and accretion to net worth (₹161.50 crore as on March 31, 2025). Total debt reduced to ₹81.18 crore as on March 31, 2025, from ₹104.63 crore as on March 31, 2024, driven by lower working capital borrowings. TOL/TNW also improved to 0.83x in FY25 from 1.04x in FY24, reflecting moderation in overall leverage. Debt protection metrics, though moderated compared to earlier years, remain adequate. PBILDT interest coverage stood at 3.19x in FY25 (FY24: 3.76x). Total Debt to GCA improved to 3.79x in FY25 from 4.57x in FY24, supported by lower debt levels. Term Debt to GCA remained comfortable at 1.11x in FY25. Going forward, the ability of the company to sustain profitability and limit incremental debt for working capital will remain key monitorable.

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. 20-21 crores as against debt repayment obligation of Rs 1.95 crores. Company has incurred capital expenditure towards setting up new showroom and workshop. Further, the average utilization of working capital borrowings stood at around 75% for twelve-month period ending December 2025. Further, the company would be incurring normal maintenance capex of Rs. 10.00 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, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	735.85	769.77	582.32
PBILDT*	35.53	31.82	NA
Profit after tax (PAT)	19.73	16.96	11.40
Overall gearing (x)	0.72	0.50	NA
Interest coverage (x)	3.76	3.19	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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 14, 2025.

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	-	-	-	-	35.00	CARE BBB+; Stable
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	-	8.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	31-01-2032	19.45	CARE BBB+; Stable
Fund-based - ST-Working Capital Limits	-	-	-	-	67.48	CARE A2
Non-fund-based - ST-BG/LC	-	-	-	-	33.13	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 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	Fund-based - LT-Electronic Dealer Financing Scheme	LT	8.00	CARE BBB+; Stable	1)CARE BBB+; Stable (17-Mar-26)	1)CARE BBB+; Stable (17-Mar-25)	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)
2	Fund-based - LT-Cash Credit	LT	35.00	CARE BBB+; Stable	1)CARE BBB+; Stable (17-Mar-26)	1)CARE BBB+; Stable (17-Mar-25)	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)
3	Fund-based - LT-Term Loan	LT	19.45	CARE BBB+; Stable	1)CARE BBB+; Stable (17-Mar-26)	1)CARE BBB+; Stable (17-Mar-25)	1)CARE BBB+; Stable (19-Mar-24)	1)CARE BBB+; Stable (30-Mar-23)
4	Fund-based - ST-Working Capital Limits	ST	67.48	CARE A2	1)CARE A2 (17-Mar-26)	1)CARE A2 (17-Mar-25)	1)CARE A2 (19-Mar-24)	1)CARE A2 (30-Mar-23)
5	Non-fund-based - ST-BG/LC	ST	33.13	CARE A2	1)CARE A2 (17-Mar-26)	1)CARE A2 (17-Mar-25)	1)CARE A2 (19-Mar-24)	1)CARE A2 (30-Mar-23)

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 - 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 lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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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