Press Release

FPL Automobiles Private Limited (FAPL)

February 13, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	18.92 (Enhanced from Rs. 4.88 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short term Bank Facilities	71.00 (Enhanced from Rs. 51.00 Crore)	IVR A3 (IVR Single A Three)	IVR A3 (IVR Single A Three)	Rating Reaffirmed	Simple
Total	**89.92**	**(Rupees Eighty-Nine Crores and Ninety-Two lakhs only)**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the Bank facilities of FAPL as it derives comfort from its association with Hyundai Motor India Ltd (HMIL), established geographical presence with six operational showrooms & six service centres across Chennai, Tamil Nadu, moderate financial risk profile, growth in market share and moderate expansion plans. However, the rating strengths are partially offset by working capital intensive operations, intense competition in the auto dealership industry and limited bargaining power with principal automobile manufacturers

The outlook is assigned 'Stable' as IVR expects growth in revenue and profitability expected to remain commensurate with the current rating levels over the medium term.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in scale of operations with sustainability in margins

Downward Factors

- Any decline in the scale of operation and profitability leading to deterioration of debt protection metrics.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Improvement in total operating income and stability of margins

The total operating income (TOI) of the company improved by ~21% to Rs. 541.73 crores in FY24 (period refers from April 01, 2023, to March 31, 2024) from Rs. 446.16 crore in FY23 on account of improved sales from automobiles which accounted for around 92% of their total income in FY24 while the balance revenue was generated through services, sales of spare parts, oils and workshop income. The EBITDA margin improved marginally to 3.38% in FY24 from 3.21% in FY23 on account of the increase in sales of cars, after sales service and increased demand for Hyundai cars. EBITDA in absolute terms has increased to Rs. 18.30 crores in FY24 as against Rs. 14.32 crores in FY23. PAT margin also remained stable at 1.39% in FY24 on account of an increase in interest expenses due to higher utilization of working capital limits as on balance sheet date 31st March 2024.
FPL has achieved a TOI of Rs.423.56 crores in 9MFY25 against projected revenue of Rs.602.48 crores for FY25 with EBITDA and PAT margin of 3.90% and 1.50% respectively.

Moderate capital structure and debt protection metrics:

FPL's capital structure remained moderate marked by a net worth, debt protection metrics and debt coverage indicators. The net worth of company improved to Rs.29.48 crores as on 31 March 2024 as against Rs.21.89 crores as on 31 March 2023 due to accretion of profits. The debt-equity remained moderate at 0.86x as on 31 March 2024 as against 0.78x as on 31 March 2023 due to increase in total debt on account of corporate guarantee amounting to Rs.20.00 crores given to its group company. The overall gearing deteriorated to 3.37x as on 31 March 2024 as against 2.89x as on 31 March 2023 due to increase in total debt. Total Debt / NCA ratio deteriorated to 7.72 years in FY24 from 6.56 years in FY23 due to increase in total debt with moderation in GCA levels. Further, TOL/TNW stood at 3.82x as on 31 March 2024. The Interest Coverage Ratio deteriorated to 2.78x for FY2024 as against 4.06x for FY2023 due to increase in interest expenses. IVR expects the capital structure and debt protection metrics to remain strong during FY25- FY27.

Association with Hyundai Motor Company

The company has established its position in the industry as an authorized dealer of Hyundai Motor Company for the past six years, it has a long and established relationship with the principals Hyundai Motors, which is a well-established and a reputed brand in the automobile industry.

Established geographical presence:

During the year 2023-24, the company has grown by 15% compared to previous year in terms of volume sold. The market share is increased by 1% in Chennai, and it has achieved a share of 28% with repetitive and satisfied customer base. FAPL has shown excellence in service and has maintained good customer retention and has grown by 38% in number of cars serviced compared to previous year. The company has achieved a service load of more than 7000 cars per month. FAPL has more than six showrooms operating in Chennai, Tamil Nadu. The showrooms have installed facilities like lifts, wheel alignment machines, Body shop, and mechanical maintenance and paint booths for servicing the cars. It has recently opened an outlet in Velachery, Chennai during November 2024 to increase its geographical presence in the market and this is expected to increase the sales by 750 vehicles in the coming years.

Growth in Market share

The company has grown by 1% in the FY23-24 compared to previous year in terms of units sold. They have also increased their market share in Chennai by 1% and has now achieved a share of 28% despite being affected by Supply constrains due to post pandemic operations. The company now holds a position of No.2 in Tamil Nadu in Hyundai.

B. Key Rating Weaknesses

Working capital intensive operations

FAPL purchases vehicles and spares directly from the manufacturing units of Hyundai Motor Company located in Chennai. The oils and other lubricants are purchased locally from Hyundai's recommended dealers. The purchase of vehicles, spares and oils is made against advance payment and hence the average creditor days stood low at around 3 days. It has to keep ready stock available in its showrooms and the ordered vehicles remain in the showroom until booked by customers, which depends on the market trends.

Intense competition in the auto dealership industry

Indian automobile industry is highly competitive in nature as there are large numbers of players operating in the market like Ford, Maruti-Suzuki, Tata Motors etc. in the passenger vehicle segment. Entry of the global players in the Indian market has further intensified the competition. Due to very high competition in the industry, dealers are also forced to pass on discounts and other schemes to attract customers as this is a volume driven business. Hence, the performance and prospects of the company is highly dependent on Hyundai being its principal.

Limited bargaining power with principal automobile manufacturers

Owing to the inherent limitations in automobile dealerships, business firms have limited bargaining power with the principal automobile manufacturer viz. Hyundai Motor Company. FAPL's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, in this business a dealer has very little bargaining power over the principal manufacturer. The margin on products is set at a particular level by the principal manufacturer, thereby restricting the company earning incremental income.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition and post default curing period
Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate

The liquidity of FAPL is adequate as reflected by comfortable GCA ranging between Rs.12.57 crore- Rs.19.06 crores as against the repayment of Rs.8.02 crore- Rs.11.99 crores in FY25-27. The current ratio stood at 1.01x in FY24, compared to 1.12x in FY23. FAPL had cash and cash equivalents of Rs. 3.23 crore as of March 31, 2024. The average utilization limits as of November 2024 stood at around 78%.

About the Company

FAPL is an authorized dealer of HMIL for vehicles and spare parts in the assigned territory of Greater Chennai. Started in 2015 with a single showroom and a service centre, company currently has 6 showrooms and 10 service centres servicing more than 60,000+ customers. FAPL is currently managed by Mr. Venkateswaran Sekar, Mr. Narayanasamy Mohan, Mr. Vinay Mohan & Mr. Sai Krishna Sekar which has prior experience in automobile industry.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	446.58	541.73
EBITDA	14.32	18.30
PAT	6.95	7.52
Adjusted Total Debt	63.28	99.48**
Tangible Net Worth	21.89	29.48
EBITDA Margin (%)	3.21	3.38
PAT Margin (%)	1.55	1.39
Overall Gearing Ratio (x)	2.89	3.37
Interest Coverage (x)	4.06	2.78

* *Classification as per Infomerics' standards.*
** *Including Corporate Guarantee*

Status of non-cooperation with previous CRA: CARE Edge Ratings continues to classify the ratings under Issuer Not Co-operating category due to lack of sufficient information vide PR dated May 24, 2024.

Any other information: NIL

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Jan 17, 2024	Nov 11, 2022	Apr 11, 2024
1.	Term Loan/ ECLGS	Long Term	13.42	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/Issuer Not Cooperating
2.	Cash Credit	Long Term	5.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/Issuer Not Cooperating
3.	E-DFS (Inventory Funding)	Short term	71.00	IVR A3	IVR A3	IVR A3	IVR A4+/ Issuer Not Co-operating

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	--	May 2028	13.42	IVR BBB-/ Stable
Cash Credit	--	--	--	Revolving	5.50	IVR BBB-/ Stable
E-DFS (Inventory Funding)	--	--	--	--	71.00	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-FPL-Autombiles-13feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com