



Press Release

FPL Automobiles Private Limited [FAPL]

November 11, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action
Long Term Facility – Fund Based – Term Loan	Rs.4.88 crore (Reduced from Rs.7.07 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Revised and removed from Issuer Not Co- operating category
Short Term Facility – Fund Based – Inventory Funding	Rs.51.00 crore (Increased from 50.50 crore)	IVR A3 (IVR A three)	Revised and removed from Issuer Not Co- operating category
Proposed Facility	Rs.4.12 crore (Increased from Rs.2.43 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Revised and removed from Issuer Not Co- operating category
Total	60.00 (Rupees Sixty crores)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating revision for the bank facilities of FPL Automobiles Private Limited (FAPL) factors in overall improvement in the financial risk profile. Further, the rating continues to derive strength from the Company's Association with Hyundai Motor Company, improving trend of total operating income, established geographical presence with five operational showrooms & five service centres, moderate financial risk profile, growth in market share and 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.

Further, the overall gearing ratio of the company was comfortable at 2.32x as on March 31, 2022 (FY21: 4.22x) and other indicators like long term debt to equity ratio of the company was comfortable at 1.22x as on March 31, 2022 (FY21: 1.27x). Interest coverage ratio is also comfortable at 4.10x as on March 31, 2022 (FY21: 2.18x).

The revenue of the Company has increased ~ 40% in FY22(A) to Rs.371.03 Crore as against Rs.269.63 Crore in FY21 and PAT Rs.6.09 Crore as against Rs.2.36 Crore during the same



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period. There is increase in top line Y-o-Y mainly on account of due to increase in sale of cars, after sales service and increased demand for Hyundai cars. The PAT margin of the company stood at 1.64% in FY22(A) in comparison to 0.88% in FY21(A).

Key Rating Sensitivities:

Upward Rating Factor

- Substantial improvement in scale of operations with sustainability in margins.

Downward Rating Factor

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

Key Rating Drivers with detailed description

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 five 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.

Improving trend of total operating income

The total operating income of the company grew to Rs.371.03 Cr in FY22 from Rs.269.63 Cr in FY21 on account of the increase in sale of cars, after sales service and increased demand for Hyundai cars. FPL Hyundai reported total operating income of Rs.206.73 crores. The majority of the revenue is generated from the sales of automobiles which accounted for around 90% of its total income in FY22 while the balance revenue was generated through services, sale of spare parts, oils and workshop income.

Established geographical presence with five operational showrooms & five service centres

FPL Hyundai has five showrooms operating in Chennai, Tamil Nadu. FPL sells more than eleven models of Hyundai cars. The models sold include New Verna, i20, Grand i10, Elantra, New Tucson, Venue, KONA Electric, Grand i10 NIOS, Aura, All New Creta and Santro. The showrooms have installed facilities like lifts, wheel alignment machines,



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Body shop, and mechanical maintenance and paint booths for servicing the cars. The company has four service centres which services around 45,000 - 50,000 in a year. Additionally, the company's yard has a storage capacity of 700+ Cars with an area of 93,000 Sq ft. During March 2022, the company has opened a new workshop in Rettari area on lease basis which has a capacity of 700+ cars which can be serviced.

Moderate financial risk profile; albeit improving

The financial risk profile of the company is moderate marked by a net worth, debt protection metrics and debt coverage indicators. The net worth of the company stood high at Rs.15.13 crores as on 31 March 2022 as against Rs.8.99 crores as on 31 March 2021. The debt-equity stood at 0.98 times as on 31 March 2022 as against 1.29 times as on 31 March 2021. The overall gearing (debt-equity) stood at 2.32 times as on 31 March 2022 as against 4.22 times as on 31 March 2021. Total Debt / GCA ratio improved from 8.40 times in FY21 to 4.28 times in FY22. Further, TOL/TNW stood at 2.93 times as on 31 March 2022. The Interest Coverage Ratio improved to 4.10 times for FY2022 as against 2.18 times for FY2021.

Growth in Market share

The company has grown by around 22% in FY21-22 compared to the previous year in terms of units sold. They have also increased their market share in Chennai by 2% and has now achieved a share of 26% despite being affected by Supply constraints due to post pandemic operations. The company now holds a position of No.2 in Tamil Nadu in Hyundai and has also moved upwards to No. 7 position in South India in terms of volume.

Expansion plans

The company plans to open two more outlets in Paddapai and Redhills in Chennai to increase its geographical presence in the market and this is expected to increase the sales by 500 Vehicles in the coming years. Both the outlets would provide easy access to the rural customers near Chennai and expected to enhance customer experience.



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Key Weaknesses

Working capital intensive operations

The company 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. FPL has to keep a ready stock available in its showrooms and the ordered vehicles remain in the showroom until booked by customers, which depends on the market trends. This resulted in inventory period of 14 days in FY22.

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 customer as this is a volume driven business. Hence, 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 limitation in automobile dealership business firm is having limited bargaining power with principal automobile manufacturer viz. Hyundai Motor Company. FPL Hyundai's business model is largely in the nature of trading wherein profitability margins are very thin. Moreover, in this business a dealer has very less bargaining power over principal manufacturer. The margin on products is set at a particular level by the principal manufacturer thereby restricting the company to earn incremental income.

Analytical Approach:

Standalone Approach

Applicable Criteria:

[Criteria of assigning rating outlook](#)

[Rating methodology for Trading companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity: Adequate

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm's liquidity position is adequate, supported by cash and bank balances of Rs.7.14 crore as on March 31, 2022. The firm generated net cash accruals of Rs. 8.68 Cr for FY22 while its maturing debt obligations were Rs. 4.04 Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.9.77 crore to Rs. 16.65 crore during FY 2023-25. The average Annual Maximum Utilisation for the last 12 months ended August 2022 stood at 36.00%. The current ratio stood at 1.27s times as on 31st March 2022 which is considered to be healthy for car dealership business.

About the Company

FPL Automobiles Private Limited (FPL HYUNDAI) is an authorized dealer of Hyundai Motor Company 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 have 5 showroom and 5 service centres as of 2022, serviced more than 60,000+ customers. FPL HYUNDAI is currently managed by Mr. Venkateswaran Sekar, Mr. Narayanasamy Mohan, Mr. Vinay Mohan & Mr. Sai Krishna Sekar. Prior to establishing FPL HYUNDAI, the directors had previous experience in Electrical & Electronics, Heavy Equipment Industries, Pumps, Infrastructure, Home Appliances, Textiles, Engineering & plastic manufacturing.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	269.63	371.03
EBITDA	9.13	12.10
PAT	2.36	6.09
Total Debt	37.98	35.13
Tangible Net-worth	8.99	15.13
EBITDA Margin (%)	3.39	3.26
PAT Margin (%)	0.88	1.64



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Overall Gearing Ratio (x)	4.22	2.32
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* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CareEdge Ratings in its press release published on January 07, 2022, has continued to classify the rating under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating assigned in 2021-22 (April 11, 2022)	Date(s) & Rating assigned in 2020-21 (February 16, 2021)	Date(s) & Rating assigned in 2019-20
1.	Long Term Fund based facilities - Term Loan	Long Term	Rs.4.88 crore (Reduced from Rs.7.07 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB/Issuer Not Co-operating (IVR Double B; Issuer Not Co-operating)	IVR BB/ Stable	--
2	Short Term Fund Based Bank Facilities - Inventory Funding/ED FS	Long Term	Rs.51.00 crore (Increased from 50.50 crore)	IVR A3 (IVR A three)	IVR A4+/ Issuer Not Co-operating (IVR A four; Issuer Not Co-operating)	IVR A4	--
3	Proposed Long Term Bank Facilities	Long/Short Term	Rs.4.12 crore (Increased from Rs.2.43 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB/Issuer Not Co-operating (IVR Double B; Issuer Not Co-operating)	IVR BB/ Stable	--

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.



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan	4.88	NA	NA	March 2027	IVR BBB-/ Stable
Short Term Facility – Fund Based – Inventory Funding	51.00	NA	NA	--	IVR A4/ Stable
Proposed Facility	4.12	NA	NA	--	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-FPL-nov22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com/>.