Press Release

Autofin Limited

March 13, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	62.67	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	**Simple**
Total	**62.67 (Sixty Two Crore and Sixty Seven Lakh 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 assigned its ratings to the bank facilities of Autofin Limited (Autofin), based on the strengths derived from experienced promoters and strong management t, long track record in automobile dealership business along with long-standing association with leading automobile manufacturers, moderate debt protection metrics and moderate capital structure. The ratings are however constrained by factors such as modest margins inherent to dealership business and exposure to market competition and external dependencies.

The stable outlook signifies the strong legacy of the business of the promoters and management in the micro markets of Hyderabad and Secunderabad.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in scale of operations while maintaining EBITDA margins leading to improvement in debt protection metrics
- Management of working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Any decline in the scale of operations and EBITDA margin leading to deterioration of debt protection metrics
- Elongation of Operating cycle dampening the liquidity position and overall capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and strong management**

  Autofin Limited's promoters have a long track record in the automotive industry, with more than four decades of experience in automobile dealership business, who are presently authorized dealer for Maruti Suzuki India Limited (MSIL) and Honda Motorcycles and Scooters India Private Limited (HMSI) in the Hyderabad region since 2011. The company is led by Mr. Gautamchand Jain, Promoter - Managing Director, with 45 years of experience in the industry along with Mr. Varun Jain, and Mr. Akshay Jain. The directors are actively involved in the company's day-to-day operations and are supported by a skilled professional management team.

- **Long track record in automobile dealership business along with long-standing association with leading automobile manufacturers**

  Autofin Limited was established in the year 1963 as an automobile dealer in Hyderabad. In 2011, the company entered into a dealership agreement with MSIL. Today, the company represents two prominent brands—ARENA and NEXA under MSIL four-wheeler division. Also, its two-wheeler division has two divisions HMSI Two-Wheelers and HMSI Big-Wing. Its network consists of 9 branches, for both sales and services, dedicated to HMSI products, while for MSIL, there are 2 main outlets (showrooms inclusive of their own service centers) and a workshop. The company caters to the twin cities of Hyderabad and Secunderabad covering the North-East and Central zones of the region of the twin cities. Both MSIL and HMSI are industry leaders in their respective segments. Automobile dealership being a highly competitive business, long track record of the promoters helps in creating strong brand equity and service proposition along with better understanding of the micro markets of operational geographies.

- **Moderate debt protection metrics**

  The interest coverage ratio rose to 2.64x in FY24 [refers to period 01st April 2023 to 31st March 2024] from 2.50x in FY23. This was due to the fact of reduction in interest expenses to Rs.3.84 crore in FY 24 (FY23: Rs.4.17 crore). The DSCR for the company stood at 1.71x in FY24 (FY23: 2.43x) due to the increase in long-term debts. This slight reduction in FY24 was due to the fact of the reduction in Goss Cash Accruals to Rs. 6.76 crore in FY24 (FY23: Rs.6.92 crore) as against a debt repayment obligation of Rs.2.37 crore (FY23: Rs.0.40 crore).

- **Moderate capital structure**

  The capital structure of the company appears to be moderate indicated by the long-term debt equity ratio to tangible net worth marking at 0.57x (FY23:0.52x), while the overall gearing ratio stood at 1.97x (FY23: 2.02x). The overall indebtedness of the company is reflected by the ratio total outside liabilities to tangible net worth, which stood at 2.47x as opposed to 2.85x as of FY23. The net worth of the company stood at Rs. 24.97 crore in FY24 as against Rs. 20.52 crore in FY23 driven by accretion of profits.

Key Rating Weaknesses

- **Modest margins inherent to dealership business**

  Auto dealership business is characterized by modest operating margins as the pricing is predominantly controlled by the automobile manufacturing companies like Maruti Suzuki India Limited (MSIL) and Honda Motorcycle and Scooter India Private Limited (HSMI). The EBITDA and PAT earned for the FY24 stood at Rs. 10.14 crore (FY23: Rs. 10.41 crore) and Rs. 4.32 crore (FY23: Rs. 4.66 crore) respectively, translating into modest margins of EBITDA at 2.83% (FY23: 2.89%) and PAT at 1.20% (FY23: 1.28%) respectively. The profitability and margins are majorly dependent on controlling costs, which are usually high in urban areas which are the principal geographies of the auto dealerships.

- **Exposure to market competition and external dependencies**
  The Indian automobile industry is highly competitive, with major players competing with the Autofin's passenger car segment such as Ford, Hyundai, Tata Motors, Mahindra alongside global brands. Also, Autofin's two-wheeler segment faces competition from top Indian brands like Hero Motocorp, TVS Motors and Bajaj Auto. This intense competition drives dealers to offer discounts to attract customers, making a company's performance highly dependent on key partners like MSIL and HMSI. As an authorized dealer for MSIL and HMSI, Autofin Limited is exposed to risks arising from changes in dealership policies and product offerings, which directly affect its success. Additionally, the company's showroom presence is concentrated in the regions of Hyderabad and Secunderabad, increasing the risk of limited market reach. The industry is also vulnerable to economic fluctuations, fuel price volatility, regulatory changes, and the growing shift towards electric vehicles, all of which can impact both sales and operational costs.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies.
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

Autofin's liquidity is adequate as characterized by sufficient cushion in FY24 gross cash accruals vis à-vis repayment obligations with a moderate cash and bank balance at Rs. 2.30 crore as at March 31, 2024. The average Working Capital Limits utilization stood at ~ 62.47% for the 11 months ended November 2024 giving the company enough headroom for expansion supported by a current ratio of 1.09x in FY24.

About the Company

Autofin Ltd is a Hyderabad based Company engaged in four – wheeler and two-wheeler auto dealership business. The Company has evolved from being a dealership for Hindustan Motors to become an established dealer of Maruti Suzuki India Limited (MSIL) and Honda Motorcycle and Scooter India Private Limited (HMSI). Currently, Autofin has 12 showrooms-9 for HMSI and 3 for MSIL and stockyards accommodating up to 1500 units.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	360.56	358.22
EBITDA	10.41	10.14
PAT	4.66	4.32
Total Debt	41.35	49.24
Tangible Net Worth	20.52	24.97
EBITDA Margin (%)	2.89	2.83
PAT Margin (%)	1.28	1.20
Overall Gearing Ratio (x)	2.02	1.97
Interest Coverage (x)	2.50	2.64

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in in 2021-2022
1.	Dropline Overdraft	Long Term	2.52	IVR BBB-/Stable	-	-	-
2.	Inventory Funding/ E-DFS/ Channel Financing	Long Term	54.15	IVR BBB-/Stable	-	-	-
3.	Cash Credit	Long Term	6.00	IVR BBB-/Stable	-	-	-

Press Release

Analytical Contacts:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd. (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] 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
Dropline Overdraft	-	-	-	March 2029	2.52	IVR BBB-/Stable
Inventory Funding	-	-	-	-	10.00	IVR BBB-/Stable
Cash Credit	-	-	-	-	6.00	IVR BBB-/Stable
E-DFS	-	-	-	-	39.15	IVR BBB-/Stable
Channel Financing	-	-	-	-	5.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-autofin-mar25.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.