February 24, 2026

Sharma Cars Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based - Overdraft	19.20	19.20	[ICRA]B+(Stable); Reaffirmed
Unallocated limits	16.49	16.49	[ICRA]B+(Stable) /[ICRA]A4; Reaffirmed
Total	**35.69**	**35.69**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation of Sharma Cars Private Limited (SCPL) reflects its strong and well-established position as one of the leading Hyundai Motors India Ltd. (HMIL) dealerships in Ahmedabad. The ratings continue to draw comfort from the promoter family's extensive experience in the automobile dealership business and the strong brand presence of Sharma Hyundai, supported by its network of multiple showrooms and well-aligned service facilities across Ahmedabad.

The ratings, however, continue to be constrained by the company's weak financial risk profile, reflected in its leveraged capital structure and strained debt coverage metrics arising from modest profitability and a high level of borrowings. The ratings also factor in the intense competitive landscape in which SCPL operates, as well as the company's vulnerability to any slowdown in the automobile industry. SCPL's liquidity position remains stretched due to limited internal cash generation, elevated interest costs arising from the working capital intensive nature of its operations, and sizeable term-debt repayment obligations. Nevertheless, the promoters have been providing financial support for debt servicing and are expected to continue the same, going forward.

The Stable outlook indicates that SCPL is expected to benefit from its established dealership position and the strength of its principal, HMIL, supported by an improving demand outlook for the passenger vehicle segment. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in auto dealership business – SCPL's promoters have over two decades of experience in the automobile dealership business. The company is among the leading and oldest dealers of HMIL in Ahmedabad, offering the entire range of passenger vehicles. Its operations include three sales showrooms, one of which has integrated service and spares facilities, along with a full fledged workshop and a stockyard.

Established market position of principal HMIL in domestic PV segment – HMIL is the second largest player in the domestic passenger vehicle market, with a market share of around 13.9% in FY2025. HMIL's long presence and strong brand recall in the domestic auto market support SCPL in driving its sales.

Credit challenges

Modest financial risk profile with leveraged capital structure and weak coverage indicators – The company's capital structure remains leveraged, as reflected in a gearing of 7.1 times as on March 31, 2025. Debt coverage indicators continued to be weak, driven by high finance costs and thin operating margins, with an interest coverage of 0.9 times and TD/OPBDITA of 11.9 times. in FY2025. Further, owing to sizeable term debt repayment obligations in the near to medium term, the company's DSCR remained below 1 times, with repayments supported by free cash balances, infusion of unsecured funds from promoters and utilisation of working capital limits, excluding receivables from the commission income.

Inherently thin margins to auto dealership business – SSCPL's revenues increased by around 2% on a YoY basis to about Rs. 237.7 crore in FY2025 from about Rs. 232.2 crore in FY2024, driven by higher volumes and improved commission income. While the company has reported steady revenue growth over the last three fiscals, its scale of operations remains moderate. Profitability continues to be modest, which is inherent to the automobile dealership business, with operating and net margins of 3.0% and 0.1%, respectively, in FY2025.

Intense competition among dealers of HMIL and other OEMs – SCPL is one of the six HMIL dealers operating in Ahmedabad. The company faces intense competition not only from other HMIL dealers but also from dealerships of competing OEMs. Further, its performance remains vulnerable to any prolonged slowdown in the domestic automobile industry.

Liquidity position: Stretched

SCPL's liquidity position is expected to remain Stretched, with high debt repayment obligations in the near-to-medium term against modest cash accrual and limited buffer in the working capital limits. The entity has repayment obligations of about Rs. 7.3 crore in FY2026 and about Rs. 6.0 crore in FY2027. The company has sanctioned overdraft limit of Rs. 17.5 crore with average utilisation of around 88% and total inventory funding of Rs. 27 crore with average utilisation of 98% in the last 12 months period ending in December 2025.

Rating sensitivities

Positive factors– ICRA could upgrade SCPL's ratings, if there is substantial growth in its revenue and profitability, leading improvement in liquidity position and debt protection metrics on a sustained basis.

Negative factors – ICRA could downgrade SCPL's ratings, if there is substantial decline in its revenue and profitability and/ or higher debt funded capex leading to deterioration in its liquidity position and debt protection metrics.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Automobile Dealers Corporate Credit Rating Methodology
Parent/group Support	Not Applicable
Consolidation/standalone	The ratings are based on the standalone financial profile of the company.

About the company

SCPL, incorporated in 1998, operates as an authorised dealer of Hyundai Motor India Limited's passenger vehicles. The company is promoted by Mr. Narendra Sharma, Mr. Surendra Sharma and Mr. Subashchandra Sharma, who collectively have around two decades of experience in the automobile dealership business. SCPL has an established presence in Ahmedabad, Gujarat, through three sales showrooms, including one integrated with service and spares facilities, along with one workshop and one stockyard.

Key financial indicators (audited)

Sharma Cars Private Limited (Standalone)	FY2024	FY2025
Operating income	**232.2**	**237.7**
PAT	**0.7**	**0.2**

Sharma Cars Private Limited (Standalone)	FY2024	FY2025
OPBDITA/OI	3.4%	3.0%
PAT/OI	0.3%	0.1%
Total outside liabilities/tangible net worth (times)	7.6	8.2
Total debt/OPBDITA (times)	10.1	11.9
Interest coverage (times)	1.0	0.9

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.
PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current rating(FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	February 24, 2026	Date	Rating	Date	Rating	Date	Rating
Unallocated limits	Long-term/Short-term	16.49	[ICRA]B+(Stable) /[ICRA]A4	November 12, 2024	[ICRA]B+ (Stable)/ [ICRA]A4	September 07, 2023	[ICRA]B+ (Stable)/ [ICRA]A4	August 11, 2022	[ICRA]B+ (Stable)/ [ICRA]A4
Fund-based - Overdraft	Long-term	19.20	[ICRA]B+(Stable)	November 12, 2024	[ICRA]B+ (Stable)	September 07, 2023	[ICRA]B+ (Stable)	August 11, 2022	[ICRA]B+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Overdraft	Simple
Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument'scredit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Dropline Overdraft**	NA	NA	NA	19.20	[ICRA]B+ (Stable)
NA	**Unallocated Limits**	NA	NA	NA	16.49	[ICRA]B+ (Stable)/ [ICRA]A4

Source: Company

Please Click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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