

## R A Motors Private Limited

November 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	65.57	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of R A Motors Private Limited (RAMPL) continue to remain constrained due to the company's small scale of operations with low profitability margins, leveraged capital structure coupled with weak debt coverage indicators along with cyclical nature of the industry. The ratings also factor in regional concentration risk and linkage to the fortunes of Tata Motors Limited. However, rating derives strength from experienced promoters in automobile dealership industry and benefit from long standing relationship with Tata Motors Limited.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations above Rs. 300 crores with improvement in PBILDT margin above 3.50% on sustained basis.
- Improvement in debt coverage parameters marked by interest coverage of more than 2.00 times.

#### Negative factors

- Deterioration in liquidity position on account of elongation of operating cycle beyond 100 days on sustained basis.
- Any further deterioration in interest coverage ratio below 1.00x.
- Significant decline in scale of operations below ₹200 crores with PBILDT margins falling below ~2.00% on sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook reflects that the company will continue to benefit from experience of the promoters in auto dealership industry and established association with its original equipment manufacturer translating into adequate performance in the near-to-medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations with low profitability margin

RAMPL's scale of operations remained small, with a total operating income of Rs. 260.39 crore in FY24 (refers to April 01,2023 to March 31,2024), marginally up from Rs. 260.17 crore in FY23. The moderate scale of operations was due to fewer vehicles sold, offset by higher vehicle prices during the year. The company operates in the passenger vehicle, commercial vehicle, and tools and spare parts segments. In FY24, the passenger vehicle segment grew by ~12%, while the tools and spare parts segment increased by ~5%. However, the commercial vehicle segment saw a moderation of 2.20%. The profitability margins of the company remained low as marked by PBILDT margin and PAT margin of 2.64% (PY:2.46%) and 0.31% (PY: 0.25%) respectively in FY24. The company earned a total operating income of Rs. 131.20 crore and profit after tax of Rs. 0.46 crores in H1FY25 (refers to April 01,2024 to September 30,2024).

##### Leveraged capital structure and Weak debt coverage indicators

The debt profile of the company comprised of term debt to the tune of Rs 6.13 crores, working capital limit utilized the tune of Rs 59.95 crores as on March 31,2024. The capital structure of the company deteriorated and stood leveraged at 4.92x as on the balance sheet date ending March 31, 2024, on account of increase in debt level of the company against small tangible net worth base. Further, owing to decrease in gross cash accruals (GCA) levels, the debt coverage indicators of the company as marked by

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

interest coverage ratio and total debt to GCA deteriorated and stood weak at 1.15x and 51.52x respectively in FY24, as against 1.39x and 26.50x respectively in FY23.

### **Cyclical nature of the industry**

The automotive sector is dependent on the economic growth, credit conditions and consumer confidence. The auto industry is inherently vulnerable to economic cycles and is highly sensitive to interest rates and fuel prices. A hike in interest rate increases the costs associated with the purchase leading to purchase deferral. The fuel prices have a direct impact on the running costs of the vehicle and any hike in the same would lead to reduced disposable income of the consumers, influencing the purchase decision. The policies implemented by government also have a direct bearing on the sale of passenger vehicles.

### **Regional concentration and linkage to the fortunes of Tata Motors Limited**

The operations of the company are geographically concentrated in the region of Uttar Pradesh. Further, the company procures its product directly from its OEM, i.e., Tata Motors Limited. Thus, the fortunes of the company are directly linked to its OEM which exposes the company's revenue growth and profitability to its OEM's future growth prospects. Any impact on business and financial profile of the OEM will also have an impact on the growth prospects of the company.

### **Key strengths**

#### **Experienced promoters in automobile dealership industry**

RAMPL was incorporated in 2004 by Mr. Ajay Chaturvedi and Ms. Usha Sharma. Mr. Ajay Chaturvedi is a graduate by qualification, having more than three decades of experience in diversified business lines like automobile dealership, vehicle financing and warehousing and logistics etc. through individual capacity. He looks after the overall operations of the company and is well supported by his wife, Ms. Usha Sharma, who is also a graduate by qualification, having an overall experience of one and a half decade in this business through her association with RAMPL. Prior to this she was associated with education sector. The promoters of the company are assisted by a team of professionals who are highly experienced in their respective domains.

#### **Benefit from long standing relationship with Tata Motors Limited**

The company has long track record of operations in diversified business lines of sale of vehicles, vehicle financing and logistics and warehousing through individual capacity. The company has long standing association with Tata Motors Limited and is an authorised dealer of entire range of commercial and passenger vehicles of TATA Motors Limited (rated CARE AA+; Stable / CARE A1+) It deals in vehicles like Tiago, Nexon, Punch, Curvv, Harrier, Safari, etc. in Passenger Vehicle (PV) segment and Ace, Prima, Magic, Ultra, Winger, M & HCV, light trucks etc. in Commercial Vehicle (CV) segment.

#### **Liquidity: Stretched**

The liquidity position of the company remains stretched as marked by 77% utilisation of working capital limits for the past 12 months ended September 2024. Further, the current ratio stood comfortable at 1.17x, while the quick ratio stood at 0.62x as on March 31, 2024. The cash-flow from operations was negative at Rs.8 crore in last the FY, unencumbered cash and bank balance was around Rs.6.16 crore as on March 31, 2024. The company has tightly matched accruals vis-à-vis repayment obligations. During the year, company has generated net cash accrual (NCA) of Rs. 1.28 crore during FY24 and is expected to generate NCA of Rs. 1.33 Crore in FY25, against repayment obligation of approx. Rs. 1.00 crore in the same year.

**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](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

RAMPL was incorporated in December 2004 as a private limited company and is currently being managed by Mr. Ajay Chaturvedi and Ms. Usha Sharma. Mr. Ajay Chaturvedi has an overall experience of more than three decades in diversified business lines of sale of vehicles, vehicle financing and logistics and warehousing through individual capacity. The company is an authorised dealer of entire range of commercial and passenger vehicles of TATA Motors Limited and operates with a total of 18 facilities, including four 3S (sales, service and spare parts) facilities in Etah, Badaun and Moradabad, U.P. and 14 1S(Sales) showrooms in various districts in Uttar Pradesh. The sale of vehicles contributes ~92.00% of the total revenue of the company and the remaining 8.00% is from sale of spare parts and servicing.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	260.17	260.39	131.20
PBILDT	6.39	6.87	3.83
PAT	0.66	0.82	0.46
Overall gearing (times)	3.61	4.92	-
Interest coverage (times)	1.39	1.15	1.35

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**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		-	-	-	7.50	CARE B+; Stable
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	52.57	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	April 2027	5.50	CARE B+; Stable

**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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Electronic Dealer Financing Scheme	LT	52.57	CARE B+; Stable	-	1)CARE B+; Stable (25-Sep-23)	1)CARE B+; Stable (06-Oct-22)	1)CARE B+; Stable (02-Sep-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)Withdrawn (25-Sep-23)	1)CARE B+; Stable / CARE A4 (06-Oct-22)	1)CARE B+; Stable / CARE A4 (02-Sep-21)
3	Fund-based - LT-Cash Credit	LT	7.50	CARE B+; Stable	-	1)CARE B+; Stable (25-Sep-23)	1)CARE B+; Stable (06-Oct-22)	1)CARE B+; Stable (02-Sep-21)
4	Fund-based - LT-Term Loan	LT	5.50	CARE B+; Stable	-	1)CARE B+; Stable (25-Sep-23)	-	-

LT: Long term; LT/ST: Long term/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

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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