

R. M. Auto Link Private Limited

July 10, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	7.50	CARE C; ISSUER NOT COOPERATING* (Single C; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B; ISSUER NOT COOPERATING* (Single B; ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	7.50 (Rupees Seven crore and Fifty lakhs only)		

Details of instruments/facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 31, 2019, placed the rating of R. M. Auto Link Private Limited (RMPL) under the 'Issuer non-cooperating' category as RMPL had failed to provide information for monitoring of the ratings as agreed to in its rating agreement. RMPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated June 09, 2020, June 15, 2020 and June 18, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating assigned to the bank facilities of RMPL have been revised on account of non-availability of requisite information to carry out rating exercise. The revision also factored in decline in scale of operations along with profitability, deterioration in the capital structure as well as debt coverage indicators during FY19 (Audited, FY refers to the period April 1 to March 31). The rating also factored in its presence in highly competitive and cyclical automobile industry. The rating, however, continues to derive strength from experienced promoters and its established operations with long standing association with HMSI

Detail description of the key rating drivers

At the time of last rating on July 31, 2019, the following were the rating strengths and weaknesses (Updated for the information available from Registrar of Companies)

Key rating weaknesses

Declining scale of operations along with profitability

Total operating income (TOI) has declined from Rs.49.07 crore in FY17 to Rs.39.73 crore in FY18 and further down to Rs.37.81 crore in FY19 owing to subdued performance of automobile industry. Further, owing to its trading nature of operation profitability remained thin marked by PBILDT margin of 0.83% in FY19 against 0.97% in FY18. Furthermore, on back of higher interest cost incurred during the year, RMPL has reported net loss in FY18 and FY19 of Rs.0.28 crore and Rs.0.73 crore respectively. Resultantly, RMPL has reported cash loss of Rs.0.61 crore in FY19 against cash loss of Rs.0.16 crore in FY18.

Deterioration in capital structure and debt coverage indicators

Capital structure has further deteriorated on back of reduction in tangible net worth base as a result of accumulation of losses as indicated by negative gearing position as on March 31, 2019 against 10.60 times as on March 31, 2018. As a result of thin operating profitability with cash loss reported during the year and poor gearing level, debt coverage indicators also deteriorated and remained weak marked by below unity interest coverage of 0.27 times in FY19 (FY18: 0.53 times) and poor total debt to GCA ratio during FY19.

Presence in highly competitive and cyclical automobile industry

Indian auto dealership business is highly fragmented and competitive with presence of large number of auto dealers catering to different brands. RMPL faces aggressive competition on account of established presence of other automobile manufacturers like Bajaj, Hero MotoCorp, Yamaha, Suzuki, TVS in 2-wheeler segment. Moreover, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Key rating strengths

Vast experience of the promoters in automobile dealership business

RMPL is promoted by Rajpal and Moochandani family who are based out of Bhopal, Madhya Pradesh. Rajpal family has been associated with various businesses in automobile dealership and auto component industry for around two decades. Promoters are assisted by qualified and well experienced workshop and sales team comprising of dedicated showroom and field executives who are professionally trained by Honda Motors Cycle and Scooter India Pvt. Ltd. (HMSI).

Established operations with long standing association with HMSI

RMPL was established in year 2005 and since then it has been engaged into automobile dealership business. RMPL holds an authorized dealership of two wheelers of HMSI, based out of Bhopal. RMPL owns and operates one showroom with 3S facility (Sales, Services and Spare Parts) in Bhopal. The company offers complete solution including arranging finance for its customers.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for wholesale trading](#)

[Financial ratios – Non-Financial Sector](#)

About the company

R. M. Auto Link Private Limited (RMPL, CIN: U34103MP2005PTC017555) was incorporated in April 2005 and was promoted by Rajpal and Moolchandani family. RMPL is engaged in two wheeler (2W) automobile dealership business as an authorized dealer of Honda Motors Cycle and Scooter India Pvt. Ltd. (HMSI). RMPL has one showroom with 3S facility (Sales, Services and Spare Parts), one service centre with 2S facility (Services and Spare parts) and one sales outlay in Bhopal.

Brief Financials (Rs. Crore)	FY18 (A)	FY19 (A)
Total Operating Income	39.73	37.81
PBILDT	0.38	0.32
PAT	-0.28	-0.73
Overall Gearing (times)	10.60	NM
Interest Coverage (times)	0.53	0.27

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	7.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	0.50	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; ISSUER NOT COOPERATING* on the basis of best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Electronic Dealer Financing Scheme	LT	7.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE B; ISSUER NOT COOPERATING* (23-Jul-18)	1)CARE B+; ISSUER NOT COOPERATING* (09-May-17)
2.	Fund-based - LT-Bank Overdraft	LT	0.50	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE B; ISSUER NOT COOPERATING* (23-Jul-18)	1)CARE B+; ISSUER NOT COOPERATING* (09-May-17)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no.: (022) 6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Ms. Shachee Vyas

Contact no.: (079) 40265665

Email ID: shachee.tripathi@careratings.com

Business Development Contact

Name: Mr. Deepak Prajapati

Contact no. : (079) 40265656

Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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