

APRIL 07, 2016

## CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF RAJALAKSHMI AUTOMOBILES PRIVATE LIMITED

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	<b>33.82</b> (Rupees Thirty Three crore and Eighty Two lakh only) (enhanced from 30 )	<b>CARE BB</b> <b>(Double B)</b>	Reaffirmed

**Rating Rationale**

The rating assigned to the bank facilities of Rajalakshmi Automobiles Private Limited (RAPL) continues to be constrained by the moderate size of operations with thin profit margins and leveraged capital structure on account of working capital intensive nature of business, intense competition in the automobile dealership space and inherent cyclical nature of the automobile industry. The rating also takes note of the moderation in financial performance and financial position of RAPL in FY15 (refers to the period April 1 to March 31) on account of the muted industry scenario. However, the rating derives strength from the company's position as the leading dealer of Mahindra & Mahindra Limited in Chennai & Bangalore and the demonstrated financial support derived from the promoters who are vastly experienced.

Going forward, the ability of the company to improve the profitability, scale up the operations amidst intense competition and muted industry scenario, improve its capital structure while effectively manage its working capital requirements would be the key rating sensitivities.

**Background**

Rajalakshmi Automobiles Private Limited (RAPL) was incorporated in March 2010 by Mr R Vijayakumar and Mr S Kumarasamy and the commercial operations were started in January 2011. RAPL is a part of the Chennai-based Rajalakshmi group which has interests in education, infrastructure, manufacturing and automobile dealerships.

RAPL is an authorised dealer of Mahindra Trucks & Buses Division (MTBD) of Mahindra & Mahindra Limited (M&M; rated 'CARE AAA', 'CARE A1+'). RAPL has three showrooms cum service centre outlets in Bangalore and five showrooms cum service centres in Tamil Nadu. The company is engaged in sale of commercial vehicles which include Light Commercial Vehicles (LCV) –trucks & buses, Heavy Commercial Vehicles (HCV), spare parts & accessories and servicing of vehicles.

During FY15, the company reported PAT of Rs.0.4 crore on a total operating income of Rs.119.5 crore as against PAT of Rs.0.7 crore on a total operating income of Rs.163.6 crore in FY14.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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