

## Raja Motors Sirsa

June 29, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Ratings Action
Long-term Bank Facilities	7.50	<b>CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING (Single B; Outlook: Stable; ISSUER NOT COOPERATING) on the basis of best available information
Short-term Bank Facilities	0.20	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
<b>Total</b>	<b>7.70 (Rupees Seven crore Seventy lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 29, 2019, placed the rating of Raja Motors Sirsa (RMS) under the 'issuer non-cooperating' category as RMS had failed to provide information for monitoring of the rating. RMS continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated June 15, 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(s).***

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by Raja Motors Sirsa with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk. The ratings continue to remain constrained by RMS's limited bargaining power with the principal manufacturer, presence in a highly competitive automobile dealership industry and fortune of the firm linked with growth of principal automobile manufacturers. The ratings, however, derive strength from experienced promoters along with established track record of operations in the dealership industry and association with an established player- Hyundai Motor India Limited (HMIL).

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

***Limited bargaining power with principal manufacturer with fortune linked to the growth of principal automobile manufacturers:*** RMS is an authorized dealer of Hyundai Motor India Limited (HMIL). The margin on products is pre-decided at a particular level by the principal manufacturer viz. HMIL thereby restricting the firm's ability to earn incremental income. Though the firm is an authorized dealer of HMIL, any unfavorable event affecting the growth plans of the Original Equipment Manufacturer (OEM) themselves will have a significant impact on the performance of RMS.

***Presence in a highly competitive automobile dealership industry:*** Indian auto dealership business is highly fragmented and competitive with presence of large number of auto dealers catering to different brands. Entry of global players in the Indian market has further intensified competition.

#### Key Rating Strengths

***Experienced promoters in dealership industry along with established track record of operations and association with established player-HMIL:*** RMS is an authorized dealer of HMIL since 2008, thus having a long track record of a decade. Mr. Om Parkash Makkar, Mr. Rajesh Makkar and Ms. Rupesha Rani are the key promoters of the RMS, who look after overall operations of the firm and hold experience of more than a decade each in the automobile dealership business. Apart from

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

\*Issuer did not cooperate; Based on best available information

RMS, all the parnters are promoters of other entities named AVC Motors, AVC Motors- Muktsar, Raja Motors Bathinda (RMB; CARE B-; Stable; Issuer Not Cooperating) and Raja Motors (Fatehabad).

**Analytical approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's policy on default recognition](#)

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

[Criteria for Short Term Instruments](#)

**About the Firm**

Haryana-based RMS was established in 2008 by Mr. Om Parkash Makkar, Mr. Rajesh Makkar and Ms. Rupesha Rani as a partnership firm. RMS works as an authorized dealer of personal vehicles for Hyundai Motor India Limited from its own showroom and sells spare parts as well, in Sirsa itself. The associate concern of RMS i.e. AVC Motors is into dealership of Mahindra & Mahindra for passenger vehicle and commercial vehicle segments in Bathinda, AVC Motors- Muktsar is into dealership of Mahindra & Mahindra for passenger vehicle and utility vehicle segments in Muktsar, Raja Motors Bathinda (RMB; CARE B-; Stable; Issuer Not Cooperating) is an authorised dealer of personal vehicles for HMIL in Bathinda, Raja Motors (Fatehabad), is an authorised dealer of personal vehicles for HMIL in Fatehabad.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	56.47	53.14
PBILDT	1.96	1.80
PAT	0.05	0.07
Overall gearing (times)	1.31	1.12
Interest coverage (times)	1.31	1.32

A: Audited

**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-Cash Credit	-	-	-	5.50	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	2.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not cooperate; Based on 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-Cash Credit	LT	5.50	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Mar-19) 2)CARE B+; Stable (15-May-18)	-
2.	Fund-based - LT-Bank Overdraft	LT	2.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Mar-19) 2)CARE B+; Stable (15-May-18)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (29-Mar-19) 2)CARE A4 (15-May-18)	-

\*Issuer did not cooperate; Based on best available information

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### 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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