

Raja Motors Sirsa

May 15, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating action
Long Term Bank Facilities	7.50	CARE B+; Stable (Single B Plus; Outlook : Stable)	Assigned
Short-term Bank Facilities	0.20	CARE A4 (A Four)	Assigned
Total Facilities	7.70 (Rupees Seven crore and Seventy lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Raja Motors Sirsa (RMS) are constrained on account of its financial risk profile marked by moderate scale of operations, thin profit margins, moderate debt coverage indicators and moderate liquidity position in FY17 (refers to the period April 1 to March 31). The ratings are also constrained due to limited bargaining power with 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 in dealership industry along with established track record of operations and association with established player- Hyundai Motor India Limited (HMIL) and moderately comfortable capital structure.

The ability of RMS to increase its scale of operations and increase its profitability along with an improvement in its solvency position by sourcing working capital funds in a timely manner would be key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Financial risk profile marked by moderate scale of operations, thin profit margins, moderate debt coverage indicators and moderate liquidity position

The total operating income (TOI) of the firm has exhibited fluctuating trend since last three years ended FY17 and stood moderate at Rs.53.14 crore during FY17 as against Rs.56.47 crore in FY16. The operating profits of the company stood moderate at Rs.1.80 crore (3.39%) while net profit stood low at Rs.0.07 crore (0.12%) in FY17. The debt coverage indicators remained moderate marked by total debt to GCA of 14.38 years in FY17, while the interest coverage stood at 1.32 times during FY17. The liquidity position remained moderate marked by current ratio of 1.23 times as on March 31, 2017 while the working capital cycle stood moderate at 63 days in FY17. The average utilization of working capital borrowings stood at 85% during past twelve months ended February, 2018.

Limited bargaining power with principal manufacturer along with fortune of the firm linked with growth of principal automobile manufacturers

RMS is an authorized dealer of HMIL. The margin on products is pre-decided at a particular level by the principal manufacturer and thereby restricting the firm to earn incremental income. Though the company is an authorized dealer of HMIL for personal vehicle segment but any unfavorable event affecting the growth plans of Original Equipment Manufacturer (OEM) 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. RMS has to offer better terms like providing discounts on purchases to attract new customers.

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 in the automobile dealership business. Apart from RMS, all the partners are into

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

management of other entities named AVC Motors, AVC Motors- Muktsar, Raja Motors (Bathinda) and Raja Motors (Fatehabad).

Moderately comfortable capital structure

The capital structure of the firm stood moderately comfortable marked by overall gearing of 1.12 times as on March 31, 2017 as against 1.31 times as on March 31, 2016.

Analytical Approach: Standalone

Applicable Criteria

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

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

[Rating Methodology- Wholesale Trading](#)

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

[Criteria for Short Term Instruments](#)

About the Firm

Haryana-based Raja Motors Sirsa (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. All the partners look after the entire management of RMS. 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) 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

Till February 28, 2018 (Provisional), RMS has registered TOI of Rs.44.65 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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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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
Fund-based - LT-Bank Overdraft	-	-	-	2.00	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.20	CARE A4

Annexure 2: Rating History for 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	5.50	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Bank Overdraft	LT	2.00	CARE B+; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.20	CARE A4	-	-	-	-

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