

April 27, 2015

Facility	Amount (Rs. Crore)	Rating
Inventory Funding Limit (proposed)	25.00	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.25.00 crore proposed bank facility of Ratnapprabha Motors (RM). The outlook is '**Stable**'. The rating is supported by the firm's established association with principals. The rating also draws comfort from the firm's diversified revenue profile, healthy revenue growth and experienced management. However, the rating is constrained by the firm's moderate financial risk profile. The rating notes that the firm faces intense competition in the automobile dealership business. The rating is also constrained by the firm's exposure to cyclicity inherent in the automobile and infrastructure industry.

RM, established in 1986, is an Aurangabad-based authorized dealer for Mahindra and Mahindra (since 1987), JCB India (since 2007) and Honda (since 2007). RM undertakes sale of commercial vehicles (manufactured by Mahindra & Mahindra), construction equipment (manufactured by JCB India), and two-wheelers (manufactured by Honda).

RM has registered healthy revenue growth of 33 per cent (compound annual growth rate) over the past three years. The firm benefits from its experienced management. Mr. Mansingh Pawar and Mrs. Sanjivani Pawar, partners of RM, have around two decades of experience in the automobile dealership business. RM's moderate financial risk profile is marked by gearing (debt-to-net worth ratio) of 2.05 times as on March 31, 2014 and interest coverage ratio of 1.64 times in FY2013-14 (refers to financial year, April 01 to March 31).

RM faces intense competition from dealers of other automobile companies such as TATA Motors and Ashok Leyland. The firm's operations are exposed to the inherent cyclicity in the automobile and infrastructure sector (main end-user of construction equipment). RM's revenue declined to ~Rs.203 crore (provisional) in FY2014-15 from Rs.251.54 crore in FY2013-14 on account of lower sales of construction equipment.

Outlook: Stable

SMERA believes RM will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and diversified revenue profile. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues while maintaining comfortable profit margins. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability, or in case of deterioration in the firm's profitability and working capital management.

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About the firm

RM, established in 1986, is an Aurangabad-based partnership firm promoted by Mr. Mansingh B. Pawar and Mrs. Sanjivani Pawar. RM is an authorised dealer for Mahindra and Mahindra, JCB India and Honda. The firm has eight showrooms and seven workshops in Aurangabad.

For FY2013-14, RM reported profit after tax (PAT) of Rs.1.47 crore on operating income of Rs.251.54 crore, as compared with PAT of Rs.0.98 crore on operating income of Rs.212.26 crore in FY2012-13. The firm's net worth stood at Rs.14.31 crore as on March 31, 2014, as compared with Rs.13.37 crore a year earlier.

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