

Ratnapprabha Motors: Reaffirmed

Facility	Amount (Rs. Crore)	Rating/Outlook
Proposed Inventory Funding	25.00	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.25 crore bank facilities of Ratnapprabha Motors. The outlook is '**Stable**'.

The rating is constrained by the declining revenues and operating margins in FY2015. The rating is also constrained by the moderately high gearing and foreign exchange fluctuation risk. However, the rating derives comfort from the experienced management, auto dealership of reputed companies and diversified revenue base.

Established in 1986, Ratnapprabha Motors is an Aurangabad-based authorised dealer for Mahindra and Mahindra (since 1987), JCB India (since 2007) and Honda (since 2007). The firm undertakes sale of commercial vehicles (Mahindra & Mahindra), construction equipments (JCB India), and two-wheelers (Honda).

The financial risk profile is marked by net worth of Rs.13.46 crore as on March 31, 2015 together with ICR at 1.55 times and DSCR at 1.55 times as on March 31, 2015. Further, the gearing stands at 2.37 times as on March 31, 2015.

Besides, the profits are susceptible to the cyclicity in the industry. The margins of the firm have shown a declining trend in the past. In FY2013, the EBITDA stood at 2.47 per cent which declined to 2.30 per cent in FY2014 and further fell to 2.15 per cent in FY2015. The PAT margin was 0.58 per cent in FY2014 which declined to 0.03 per cent in FY2015. Further, the rating also factors in the intense competition in the automobile industry.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that Ratnapprabha Motors will continue to maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability and registering improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria to arrive at the rating:

- Trading Entities

About the Firm

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

In FY2014-15, the firm reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.209.35 crore.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
27 April, 2015	Inventory Funding Limit (Proposed)	25.00	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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