

Press Release

Ratnapprabha Motors (RM)

14 March, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 26.00 Cr. (Enhanced from Rs. 25.00 cr.)
Long Term Rating	SMERA BB +/- Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs.26.00 crore (Enhanced from Rs.25.00 crore) bank facilities of Ratnapprabha Motors to **'SMERA BB+' (read as SMERA Double B plus)** from **'SMERA BB' (read as SMERA double B)**. The outlook is **'Stable'**.

Ratnapprabha Motors, established in 1986, is an Aurangabad-based partnership firm established by Mr. Mansingh B. Pawar and Mrs. Sanjivani Pawar. The firm is an authorised dealer of Mahindra and Mahindra – four wheelers (since 1986), trucks and buses (since 2014), two wheelers (Honda) among others. The firm has eight showrooms and workshops.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

The Partners, Mr. Mansingh Pawar and Mrs. Sanjivani Pawar have more than three decades of experience as authorised dealers and are well experienced in the same line of business

- **Diversified product range**

The extensive experience of the partners has helped the firm have a diversified product range including JCB products, two wheelers, four wheelers, commercial vehicles and buses among others. The firm benefits from a diversified revenue stream and limited concentration risk.

- **Improving revenues and profitability**

The operating income has been growing at a Compounded Annual Growth Rate (CAGR) of 10.42 per cent for the last five years starting 2013. The operating income of the firm has shown a growth of 37.00 per cent approximately at Rs. 348.31 crore in FY2017 compared to Rs. 254.71 crore in FY2016. The EBITDA margins of the firm decreased to 1.99 percent in FY2017 from 2.10 per cent in FY2016 while PAT margins improved to 0.29 percent in FY2017 from 0.16 percent in FY2016. The debt protection metrics were at comfortable levels.

- **Efficient working capital management**

The firm has efficient working capital cycle of 22 days supported by low debtors of 14 days as on 31 March, 2017. The Gross Current Asset days stood at 44 days as on 31 March, 2017 as against 57 days in the previous year. The average bank limit utilisation limit was at ~ 93.00 per cent for the last six months ended January, 2018. The NCA/TD stood at 0.09 times in FY2017.

Weaknesses

• **Cyclicality associated with the automobile industry**

The firm is exposed to inherent cyclicality associated with the automobile industry due to its correlation with the economic environment.

• **Intense competition in the automobile dealership business**

The firm is also exposed to competition in the industry from other players and low entry barriers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of RM.

Outlook: Stable

SMERA believes that Ratnappabbha 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 with improvement in its profitability margins. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability of operations or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	348.39	254.71	209.35
EBITDA	Rs. Cr.	6.92	5.36	4.51
PAT	Rs. Cr.	1.00	0.41	0.06
EBITDA Margin	(%)	1.99	2.10	2.15
PAT Margin	(%)	0.29	0.16	0.03
ROCE	(%)	11.03	8.54	6.80
Total Debt/Tangible Net Worth	Times	2.47	2.94	2.37
PBDIT/Interest	Times	1.73	1.53	1.55
Total Debt/PBDIT	Times	4.48	6.53	6.94
Gross Current Assets (Days)	Days	44	57	72

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Trading entities- <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crores)	Ratings/Outlook
26 October, 2017	Inventory Funding (Proposed)	Long Term	25.00	SMERA BB/Stable Issuer not co-operating*
12 August, 2016	Inventory Funding (Proposed)	Long Term	25.00	SMERA BB/Stable (Reaffirmed)
27 April, 2015	Inventory Funding (Proposed)	Long Term	25.00	SMERA BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	26.00 (Enhanced from 25.00)	SMERA BB +/- Stable (Upgraded)

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ABOUT SMERA

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