

Press Release

Ratnapprabha Motors

March 10, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	26.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 26.00 crore bank facilities of Ratnapprabha Motors (RM).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

About the Company

Ratnapprabha 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 – four-wheelers (since 1986), Mahindra trucks and buses (since 2014), JCB India (since 2007) and Honda (two wheelers) and has eight showrooms and eight workshops.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RM to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

Ratnapprabha Motors established in the year 1986 is promoted by Mr. Mr. Mansingh B. Pawar (B. Com) and Mrs. Sanjivani Pawar (Graduate). The firm is Authorized dealer of Mahindra and Mahindra, JCB India and Honda. The promoters have more than two decades of experience in dealership business

Average financial risk profile

RM's average financial risk profile is marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth has increased to Rs. 25.56 Cr. as on 31st March 2022 as compared to Rs.18.04 Cr as on 31st March 2021 due to accretion of reserves. The gearing of the company stood at 0.25 times as on 31st March 2022 as compared to 0.62 times as on 31st March 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.71 times as on 31st March 2022 as against 1.99 times as on 31st March 2021. The debt protection metrics of the company marked by comfortable Interest Coverage Ratio (ICR) at 3.56 times as on 31st March 2022 as compared to 3.76 times as on 31st March 2021 but moderate Debt Service Coverage Ratio at 3.56 times as on 31st March 2022 as compared to 3.76 times as on 31st March 2021. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.08 times as on 31st March 2022. Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 52 as on 31st March 2022 as compared to 33 days of 31st March 2021 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 02 days as on 31st March 2022 as compared to 03 days as on 31st March 2021. The inventory period stood at 39 days as on 31st March 2022 as compared to 24 days 31st March 2021 respectively. Acuité believes that the working capital management of RM's will remain intensive given the nature of the industry.

Rating Sensitivities

None

Material covenants

None

Liquidity position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.6.80 Cr as on 31st March 2022 as against Rs. 7.73 Cr. long-term debt repayment during the same period. The current ratio stood at 1.38 times as on 31st March 2022, as compared to 1.31 times as on 31st March 2021. The cash and bank balances stood at Rs. 6.21 Cr. 31st March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 52 days as on 31st March 2022 as compared to 33 days as on 31st March 2021, due to high other current asset. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	359.68	394.78
PAT	Rs. Cr.	4.65	5.59
PAT Margin	(%)	1.29	1.42
Total Debt/Tangible Net Worth	Times	0.25	0.62
PBDIT/Interest	Times	3.56	3.76

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Feb 2023	Inventory Funding	Long Term	26.00	ACUITE BB- (Issuer not co-operating*)
29 Nov 2021	Inventory Funding	Long Term	26.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
27 Aug 2020	Inventory Funding	Long Term	26.00	ACUITE BB (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BB- Reaffirmed & Withdrawn

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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