

Press Release

Rudra Automart Private Limited

November 06, 2020

Rating Upgraded & Assigned



Total Bank Facilities Rated*	Rs.23.00 Cr. (Enhanced from Rs.15.00 Cr)
Long Term Rating	ACUITE BB/Outlook: Stable (Upgraded from ACUITE BB-)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.15.00 crore bank facilities and assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.8.00 crore bank facilities of Rudra Automart Private Limited (RAPL). The outlook is '**Stable**'.

Revision in Rating

The rating is upgraded since the previous rating downgrade was on account of information risk. However, the client has co-operated and provided the required documents and information.

About Company

Rudra Automart Private Limited is a West Bengal based company, incorporated in the year 2007, by Mr. Dipak Kumar Rudra and family. The company is an authorized dealer of Mahindra and Mahindra Ltd and is engaged in selling and providing servicing to passenger cars and commercial vehicle. It's having a showroom in Bankura, Burdwan and Purulia district of West Bengal.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RAPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management:**

RAPL has an operational track record of over a decade in the auto dealership segment. The company is managed and promoted by Mr. Dipak Kumar Rudra, Mr. Debrup Rudra and Mrs. Chitra Rudra, who have an experience of over three decades in the industry. The company is an authorized dealer of Mahindra and Mahindra Ltd and is engaged in selling and providing servicing to passenger cars and commercial vehicle.

Acuite believes that RAPL will sustain its existing business profile backed by established track record of operations and experienced management.

- **Efficient working capital cycle**

The company has an efficient working capital cycle marked by Gross Current Assets (GCA) days of 71 days in FY2020 (Provisional) and 90 days in FY2019. The receivable days stood at 7 days in FY2020 (Provisional) as against 15 days in FY2019. The inventory days stood at 65 days in FY2020 (Provisional) as against 70 days in FY2019. The average bank limit utilisation stood high at ~93.00 percent for the past 8 months ending August 2020.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Weaknesses

• Moderate financial risk profile

The company has a moderate financial risk profile marked by moderate net worth, modest gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.17.15 crore as on 31 March, 2020 (Provisional) as against Rs.16.01 crore as on 31 March, 2019. The total debt of Rs.21.27 crore as on 31 March, 2020 (Provisional) consist of long term borrowings of Rs.0.30 crore, unsecured loan from promoters of Rs.1.97 crore and short term borrowing of Rs.19.00 crore. The gearing (debt-equity) stood at 1.24 times as on 31 March, 2020 (Provisional) as compared to 1.40 times as on 31 March, 2019. The Interest Coverage Ratio stood at 2.12 times for FY2020 (provisional) as against 2.16 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.78 times as on 31 March, 2020 (Provisional) as against 2.39 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.12 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.57 times in FY2020 (Provisional) as against 1.54 times in FY2019.

Acuite believes that the financial risk profile of RAPL will continue to remain moderate over the medium term in the absence of significant debt repayment obligations and moderate net cash accruals.

• Competitive and fragmented Industry

RAPL operates in a highly competitive and fragmented market with limited entry barriers. Furthermore, the company is also exposed to intense competition from other automobile companies such as Honda, Tata Motors, Maruti, Toyota, to name a few. Besides, the launch of new models at competitive prices eats into the market share of Mahindra, which in turn, affects dealers, including RAPL. Hence, in order to increase sales amidst the highly competitive Indian automobile sector, automobile dealers are likely to thin down their margins.

Rating Sensitivities

- Sustaining existing scale of operations while maintaining profitability.
- Any deterioration of its financial risk profile and liquidity

Material Covenants

None

Liquidity Position: Adequate

RAPL has an adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. RAPL generated cash accruals of Rs.2.10-2.60 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.60-0.80 crore over the same period. The working capital cycle of the company is efficient, marked by Gross Current Assets (GCA) days of 71 days in FY2020 (Provisional) and 90 days in FY2019. The average bank limit utilisation stood high at ~93.00 percent for the past eight months ending August 2020. RAPL maintained unencumbered cash and bank balances of Rs.0.28 crore as on March 31, 2020 (Provisional). The current ratio of RAPL stood moderate at 1.20 times as on March 31, 2020 (Provisional). Acuite believes that the liquidity of RAPL is likely to remain adequate over the medium term.

Outlook: Stable

ACUITE believes that RAPL will maintain a stable outlook over the medium term owing to its promoter's experience in the dealership business and a strong presence of the company in the southern part of West Bengal. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	174.00	158.34
PAT	Rs. Cr.	1.14	1.08
PAT Margin	(%)	0.65	0.68
Total Debt/Tangible Net Worth	Times	1.24	1.40
PBDIT/Interest	Times	2.12	2.16

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

Not Applicable

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-July-2020	Cash Credit	Long Term	10.00	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating#
	Proposed Cash Credit	Long Term	5.00	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating#
27-April-2019	Cash Credit	Long Term	10.00	ACUITE BB Issuer not co-operating#
	Proposed Cash Credit	Long Term	5.00	ACUITE BB Issuer not co-operating#
25-January-2018	Cash Credit	Long Term	10.00	ACUITE BB Issuer not co-operating#
	Proposed Cash Credit	Long Term	5.00	ACUITE BB Issuer not co-operating#

#The issuer did not co-operate; based on best available information

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00 (Enhanced from Rs.15.00 Cr.)	ACUITE BB/Stable (Upgraded from ACUITE BB-)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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