

Press Release

Rudra Automart Private Limited

July 29, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.23.00 Cr bank facilities of Rudra Automart Private Limited (RAPL). The outlook remains '**Stable**'.

RAPL's rating is driven by the above average financial risk profile of the company. The rating also factors the experienced management and long standing operations. These strengths are, however, offset by the decline in the top line, working capital intensive nature of operations and the competitive & fragmented industry.

About the 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 vehicles. It has showrooms in Bankura, Burdwan and Purulia district of West Bengal.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Rudra Automart Private Limited (RAPL).

Key Rating Drivers

Strengths

- Long standing operations and experienced management

RAPL has an operational track record of over a decade in the auto dealership segment. The company is headed by Mr. Dipak Kumar Rudra, Mr. Debrup Rudra and Mrs. Chitra Rudra, who have an experience of over three decades in the industry. The long standing operations and experienced management has aided the company's performance and Acuite believes that RAPL will continue to sustain its existing business profile backed by established track record of operations.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.18.41 Cr (estimated) as on March 31, 2022 from Rs.17.60 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood moderate at 0.97 times (estimated) as on March 31, 2022 as against 0.93 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.41 times (estimated) as on March 31, 2022 as against 1.22 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 2.26 times (estimated) as on March 31, 2022 and Debt Service Coverage Ratio at 2.05 times (estimated) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times (estimated) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

Weaknesses

- **Modest business risk profile**

RAPL's revenues decreased to Rs.112.00 Cr (provisional) in FY22 as compared to Rs.118.53 Cr in FY21. The decrease in the top line is due to the shortage in the supply of vehicles by the dealer. Though, the profitability margins increased in FY22. The operating margin of the company increased to 3.55 per cent (provisional) as compared to 3.43 per cent in FY21 and the PAT margin also rose to 0.96 per cent (provisional) in FY22 as compared to 0.67 per cent in FY21. The increase in the margin is buoyed by the increasing commissions and comparatively decreasing costs.

- **Working capital intensive nature of operations**

The company's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 104 days (estimated) as on March 31, 2022 as compared to 80 days in 31st March 2021. The GCA days are moderate on account of high inventory period during the same period. The inventory period stood at 86 days (estimated) as on March 31, 2022 as compared to 61 days as on 31st March 2021 due to keeping adequate stock of vehicles, spares and accessories. The debtor period stood the same at 18 days as on March 31, 2022 (estimated) and as on 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level as evident from the efficient collection mechanism and high inventory level over the medium term.

- **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

- Improvement in the scale of operations and increase in the profitability margins
- Sustenance of the financial risk profile
- Elongation in the working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.1.98 Cr (estimated) as on March 31, 2022 against no long term debt repayment over the same period. The company has not availed any loan moratorium. The fund based limit of the company is utilized at 78 per cent over the six months ended March, 2022. The cash and bank balances of the company stood at Rs.0.49 Cr (estimated) as on March 31, 2022. The current ratio stood comfortable at 1.54 times (estimated) as on March 31, 2022 as compared to 1.67 times as on March 31, 2021. Moreover, the working capital management of the company is moderate in nature marked by Gross Current Assets (GCA) of 104 days (estimated) as on March 31, 2022 as compared to 80 days in 31st March 2021. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on RAPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and sustenance of the financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	118.53	139.45
PAT	Rs. Cr.	0.80	0.80
PAT Margin	(%)	0.67	0.57
Total Debt/Tangible Net Worth	Times	0.93	1.20
PBDIT/Interest	Times	2.10	1.95

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

CRISIL, vide its press release dated April 18, 2022 had denoted the rating of Rudra Automart Private Limited as 'CRISIL B/Stable; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Nov 2020	Cash Credit	Long Term	19.00	ACUITE BB Stable (Upgraded from ACUITE BB-)
	Inventory Funding	Long Term	4.00	ACUITE BB Stable (Assigned)
21 Jul	Term Loan	Long Term	10.00	ACUITE BB- (Downgraded and Issuer not co-operating*)

2020	Term Loan	Long Term	5.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
27 Apr 2019	Term Loan	Long Term	10.00	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE BB (Issuer not co-operating*)
25 Jan 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*)
21 Jan 2017	Cash Credit	Long Term	10.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Proposed Cash Credit	Long Term	5.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
28 Aug 2015	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BB Stable Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB Stable Reaffirmed

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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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