

Press Release
RUDRA AUTOMART PRIVATE LIMITED
October 25, 2023
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	-	-

Rating Rationale

ACUITE has reaffirmed its 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'.

Rationale for rating reaffirmation

The rating reaffirmation factors the improvement in the scale of operations in FY2023 coupled with comfortable profitability margins. The rating also factors the long standing operations of RAPL supported by the experienced management. These strengths are, however, offset by the company's moderate financial risk profile and the moderate working capital management.

About the Company

Incorporated in 2007, Rudra Automart Private Limited (RAPL) is based in West Bengal and managed by Mr. Dipak Kumar Rudra and family. The company is an authorized dealer of Mahindra and Mahindra Ltd and is engaged in trading of passenger cars and commercial vehicles. It also provides repair and maintenance services to the same. RAPL has four showroom-cum-service centres with two showrooms located in Bankura and one showroom in Burdwan and one in Purulia district of West Bengal.

Standalone (Unsupported) Rating

None

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

With the assistance of the directors, Mr. Dipak Kumar Rudra and Mr. Debrup Rudra the company has established a long track record of operations spanning around two decades. The promoters have an extensive experience of over three decades in the auto dealership industry. The promoters has been able to establish four showrooms in West Bengal. Acuite derives comfort from the vintage of the promoters and believes that RAPL's long presence in the business along with the experience of the management will continue to support the company going forward.

Improvement in the business risk profile

The company's scale of operations has improved to Rs.156.72 Cr in FY2023 as compared to Rs.

112.45 Cr in FY2022 and Rs. 118.53 Cr in FY2021. Improvement in revenues is driven by the pent-up demand during pandemic along with better than anticipated festive sales and easing up of supply chain shortages. Moreover, the operating margins stood at 3.47 per cent in FY2023 as against 3.40 per cent in FY2022. The PAT margin stood at 0.73 per cent in FY2023 as compared to 0.47 per cent in FY2022. The improvement in margins is buoyed by increase in the commissions and dealership margins.

Acuité believes that the business risk profile of the company will remain stable over the medium term backed by strong demand for the products.

Weaknesses

Moderate working capital management

The working capital cycle of the company stood moderate in FY2023 marked by the improving but moderate level of Gross Current Assets (GCA) of 83 days as on March 31, 2023 as compared to 113 days in 31st March 2022. The GCA days improved on account of improvement in the inventory cycle and reduction in the other current assets i.e., advances to suppliers. The inventory period improved to 70 days as on March 31, 2023 from 87 days as on 31st March 2022. Moreover, the debtor days stood comfortable at 11 days as on March 31, 2023 as against 19 as on 31st March 2022. Also, the creditor days improved to 19 days as on March 31, 2023 from 38 days as on March 31, 2022. Acuité believes that the working capital operations of the company will remain around similar levels as evident from the moderate inventory level and low debtor cycle over the medium term.

Moderate financial risk profile

The financial risk profile of the company is marked by moderate gearing and debt protection metrics along with improving net worth. The tangible net worth of the company increased to Rs. 19.28 Cr as on March 31, 2023 from Rs. 18.13 Cr as on March 31, 2022 due to accretion to reserves. Gearing of the company moderated to 1.12 times as on March 31, 2023 from 0.96 times as on March 31, 2022 due to rise in the borrowings owing to term loans taken for the purchase of demo vehicles and infusion of unsecured loans by the directors. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.62 times as on March 31, 2023 as against 1.65 times as on March 31, 2022. The moderate debt protection metrics is marked by Interest Coverage Ratio at 2.06 times as on March 31, 2023 and Debt Service Coverage Ratio stood moderate at 1.28 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times as on March 31, 2023. Acuité believes that going forward the financial risk profile will remain moderate over the medium term, in the absence of any major debt funded capex plans.

Rating Sensitivities

- Growth in the scale of operations while sustained improvement in the profitability margins
- Improvement in the financial risk profile
- Elongation in the working capital cycle

All Covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs. 2.37 Cr as on March 31, 2023 as against long term debt repayment of Rs. 1.26 Cr over the same period. The fund based limit of the company is moderately utilized at 82 per cent over the six months ended September, 2023. The unencumbered cash and bank balances of the company stood at Rs. 1.10 Cr as on March 31, 2023. The current ratio stood comfortable at 1.33 times as on March 31, 2023 as compared to 1.36 times as on March 31, 2022. The working capital cycle of the company remained moderate marked by the improving but moderate level of Gross Current Assets (GCA) of 83 days as on March 31, 2023 as compared to 113 days in 31st March 2022 on account of improvement in the inventory cycle and reduction in the other current assets i.e., advances to suppliers.

Acuité believes that the company will maintain adequate liquidity position due to steady accruals and absence of any debt funded capex plans over the medium term.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	156.72	112.45
PAT	Rs. Cr.	1.14	0.53
PAT Margin	(%)	0.73	0.47
Total Debt/Tangible Net Worth	Times	1.12	0.96
PBDIT/Interest	Times	2.06	1.99

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

CRISIL, vide its press release dated June 27, 2023 had denoted the rating of Rudra Automart Private Limited as 'CRISIL B/Stable; ISSUER NOT COOPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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, Acuité 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
29 Jul 2022	Cash Credit	Long Term	19.00	ACUITE BB Stable (Reaffirmed)
	Inventory Funding	Long Term	4.00	ACUITE BB Stable (Reaffirmed)
06 Nov 2020	Inventory Funding	Long Term	4.00	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	19.00	ACUITE BB Stable (Upgraded from ACUITE BB-)
21 Jul 2020	Term Loan	Long Term	10.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.00	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
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BB Stable Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	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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