



SMERA RATINGS LIMITED

R.H. Automobiles Private Limited (RHAPL)

*Rating
Rationale***January 28, 2016**

| Facilities | Amount (Rs. Crore) | Rating |
|------------------------|--------------------|-----------------------------|
| Cash Credit | 6.50 | SMERA BB-/Stable (Assigned) |
| Inventory Funding | 1.00 | SMERA BB-/Stable (Assigned) |
| Cash Credit (Proposed) | 0.35 | SMERA BB-/Stable (Assigned) |

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the above mentioned bank facilities of R.H. Automobiles Private Limited (RHAPL). The outlook is '**Stable**'. The rating derives comfort from the company's experienced management and average financial risk profile marked by comfortable coverage indicators and moderate debt protection measures. The rating is also supported by the moderate scale of operations and well established market presence. However, the rating is constrained by the company's exposure to intense competition in the automobile dealership business and susceptibility of profit margins to the inherent cyclicalities in the industry.

Outlook: Stable

SMERA believes that RHAPL will continue to maintain a stable business risk profile over the medium term owing to the extensive experience of the promoters and strong regional presence. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve the scalability amidst intensifying competition or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Scaling up of operations and maintaining profit margins
- Efficient working capital management

About the Company

RHAPL, incorporated in 2007 is a West Bengal-based authorised dealer of Tata Motors Limited. The company, promoted by Mr. Vinay Bajoria sells commercial vehicles at its two showroom-cum-service centres at Bankura and one at Purulia, West Bengal.

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RHAPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.43.81 crore for FY2014–15, as compared with PAT of Rs.1.59 crore on operating income of Rs.64.78 crore in FY2013–14.

Contact List

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