

Rani Motors: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	16.50	SMERA BB/Stable (Assigned)
Inventory Funding	5.00	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB** (read as SMERA double B) to the Rs.21.50 crore long term bank facilities of Rani Motors. The outlook is '**Stable**'.

The rating draws comfort from the extensive experience of the promoters in the automobile industry and established market position in Shillong. The rating also draws support from the efficient working capital management and above average financial risk profile marked by moderate net worth, low gearing and healthy debt protection metrics. However, the rating is constrained by the stagnancy in revenues, exposure to intense competition in the passenger vehicle (PV) dealership business and susceptibility of profit margins to the inherent cyclical in the automobile industry.

Incorporated in 1995, Rani Motors is a Shillong-based authorised dealer of passenger vehicles manufactured by Maruti Suzuki India Limited (MSIL). The promoter of the company, Ms. Inoris Rani, has more than two decades of experience in the automobile industry.

The above average financial risk profile is reflected in its net worth of Rs.13.31 crore and debt equity of 0.91 times in FY2015. The rating is also supported by the healthy debt protection metrics marked by interest coverage ratio of 2.32 times and net cash accruals to total debt ratio of 16 per cent in FY2015.

The above rating also factors in the efficiently managed working capital marked by gross current asset days of 61 days in FY2015 and FY2014. The inventory and debtors days stood at 43 and 14 in FY2015.

Rani Motors faces stiff competition from other automobile companies such as Hyundai Motor India Limited, Honda Motor Company Limited, Mahindra & Mahindra Limited among others.

The rating is also constrained by the stagnant revenue of Rs.113.46 crore in FY2015 as compared to 110.55 crore in FY2014. Net profitability stood at 1.35 per cent in FY2015 as against 1.33 per cent in FY2014. The revenue stood at Rs.122.76 crore in FY2016 (provisional).

Rating Sensitivity Factors

- Improvement in revenue and profitability
- Continued relationship with MSIL
- Extent of capex and its funding mix

Outlook-Stable

SMERA believes that Rani Motors will maintain a stable outlook in the medium term owing to its association (as a dealer) with MSIL and the growing passenger vehicle industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition.

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

Incorporated in 1995, Rani Motors is a Shillong-based authorised dealer of passenger vehicles manufactured by Maruti Suzuki India Limited (MSIL). The company has two sales and spares showroom facilities, three retail outlets, with five separate service stations in the vicinity. The day-to-day operations are managed by Ms. Inoris Rani.

For FY2014-15 (refers to financial year April 01 to March 31), Rani Motors reported profit after tax (PAT) of Rs.1.55 crore on operating income of Rs.114.76 crore, as compared with profit after tax (PAT) of Rs.1.49 crore on operating income of Rs.111.57 crore in FY2013-14.

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ABOUT SMERA

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