

Press Release

Rani Motors

16 October, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 26.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 21.50 crore. SMERA has also assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.5.00 crore bank facilities of Rani Motors. The outlook is '**Stable**'.

Rani Motors is an authorised dealer of Maruti Suzuki since 1995. The firm deals in passenger vehicles of Maruti Suzuki through its two showrooms, three retail outlets and two workshops in Shillong, Meghalaya.

Key Rating Drivers

Strengths

Experienced management, long track record of operations

The firm is led by Ms. Inoris Rani, Proprietor with more than two decades of experience in the automobile industry.

Above average financial risk profile

The financial risk profile is above average marked by comfortable net worth, moderate gearing and debt protection metrics. The gearing stood moderate at 1.27 times and 1.30 times in FY2017 and FY2016 respectively compared to 0.91 times in FY2015. The net worth increased to a comfortable Rs.17.37 crore in FY2017 as against Rs.14.99 crore in FY2016 due to accretion of profits to reserves. The interest coverage ratio stood moderate at 1.86 times in FY2017 compared to 1.91 times in FY2016. The NCA/TD stood at 0.13 times in FY2017.

Weaknesses

• **Competition from other auto dealers**

Rani Motors faces competition from other dealers of Maruti Suzuki as well as that of other companies such as Skoda, Toyota, Ford, Honda among others in Meghalaya.

• **Exposure to the inherent cyclicity in the industry**

The ratings remain constrained by the inherent cyclicity in the automobile sector and subdued outlook for passenger cars.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Rani Motors.

Outlook: Stable

SMERA believes that Rani Motors will maintain a stable outlook and continue to benefit from its established relations with principal. The outlook may be revised to 'Positive' if the firm is able to achieve higher than expected revenues and accruals while maintaining its working capital cycle and improving profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle or lower than expected revenues.

About the Rated Entity - Key Financials

For FY2016-17, Rani Motors reported profit after tax (PAT) of Rs.2.42 crore on total operating income of Rs.142.24 crore, compared to PAT of Rs.1.71 crore on total operating income of Rs.12.08 crore in FY2015-16.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07-Sep, 2016	Cash Credit	Long Term	INR 16.5	SMERA BB / Stable (Assigned)
	Inventory Funding	Long Term	INR 5	SMERA BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB/Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/Stable (Reaffirmed)
Long Term (Proposed)	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/Stable (Assigned)

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