

Press Release

Rani Motors

July 30, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 26.50 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 26.50 crore bank facilities of Rani Motors (RM). The outlook is '**Stable**'.

Rani Motors (RM) 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).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RM to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

RM has established operational track record since 1995. The proprietor of the RM, Ms. Inoris Rani has an experience of more than two decades in automobile industry.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by healthy net worth, moderate gearing and healthy debt protection metrics. RM has improvement in net worth to Rs. 24.88 crore as on 31 March, 2019 (Prov.) as compared to Rs. 20.36 crore in FY2018, this is mainly on account of accumulation of reserves. The gearing of the company stood moderate at 1.74 times in FY2019 (Prov.) as compared to 1.57 times in previous year due to increase in debt. The total debt of Rs.43.18 crore consist of long term debt of Rs.4.84 crore, short term debt of Rs.37.50 crore and unsecured loan from promoters of Rs.0.84 crore as on 31 March, 2019 (Prov.). The interest coverage ratio stood healthy at 2.44 times in FY2019 (Prov.) as compared to 2.17 times in FY2018 and DSCR stood comfortable at 1.82 times as on 31 March, 2019 (Prov.) as compared to 2.17 times in the previous year.

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, and Honda among others in Meghalaya.

Exposure to inherent cyclicity in the industry

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

Liquidity Position:

RM's liquidity profile is moderate marked by adequate net cash accruals as against current portion of long term debt obligations. The company generated cash accruals of Rs. 5.54 crore during in 2019 (Prov), against Rs.1.32 crore long term debt obligations over the same period. The bank limit in the company remained 100 percent utilised. The current ratio in the company stood moderate at 1.33 times as on 31 March, 2019 (Prov). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of adequate cash accrual and no long term debt repayments over the medium term.

Outlook: Stable

Acuite believes that RM will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in sales and profitability and improved working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	170.61	132.48	142.24
EBITDA	Rs. Cr.	9.06	6.44	5.96
PAT	Rs. Cr.	4.58	3.05	2.42
EBITDA Margin	(%)	5.31	4.86	4.19
PAT Margin	(%)	2.68	2.30	1.70
ROCE	(%)	13.98	13.38	15.55
Total Debt/Tangible Net Worth	Times	1.74	1.57	1.27
PBDIT/Interest	Times	2.44	2.17	1.86
Total Debt/PBDIT	Times	4.61	4.77	3.56
Gross Current Assets (Days)	Days	106	111	89

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Dec-2018	Inventory Funding	Long Term	9.50	ACUITE BB (Indicative)
	Cash Credit	Long Term	7.00	ACUITE BB (Indicative)
	Inventory Funding	Long Term	5.00	ACUITE BB (Indicative)
	Proposed Long Term	Long Term	5.00	ACUITE BB (Indicative)
16-Oct-2017	Inventory Funding	Long Term	9.50	ACUITE BB/Stable

				(Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB/Stable (Reaffirmed)
	Inventory Funding	Long Term	5.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Long Term	Long Term	5.00	ACUITE BB/Stable (Assigned)
07-Sep-2016	Cash Credit	Long Term	16.50	ACUITE BB/Stable (Assigned)
	Inventory Funding	Long Term	5.00	ACUITE BB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB/Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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