

Press Release

Rama Motocorp Private Limited

March 31, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	21.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs 21.00 Cr bank facilities of Rama Motocorp Private Limited (RMPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned takes into constraint the initial operations of the company and the experience of the management in auto mobile dealership. Further, the rating factors in moderate financial risk profile along with moderate working capital mechanism. However, above mentioned strengths are partially offset by highly competitive nature of automobile dealer industry.

About the Company

Rama Motocorp Pvt Ltd, incorporated in 2019 by the promoters of Hind Energy and Coal Benefication India; primarily engaged in the authorised dealership of commercial fleet vehicle with Tata Motors Ltd. where Hind Energy is engaged in Coal washing and Coal transportation. Based out of Bilaspur. Mr. Rajeev Agrawal, Mr. Sanjay Agrawal, Mr. Rajesh Agrawal, Mr. Nitin Agarwal are directors of the company. RMPL benefits towards foraying into the dealership of commercial transport vehicles with its 3S showroom and service centre located at Bilaspur – Raipur highway in Chhattisgarh.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Rama Motocorp Private Ltd(RMPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management albeit fresh operations of RMPL

RMPL, promoted by Mr. Rajeev Agrawal, Mr. Sanjay Agrawal, Mr. Rajesh Agrawal have over two decade of experience in the coal transportation industry and Mr. Nitin Agrawal, has over a decade of experience in the said line of business. The company has been incorporated by the same promoters and directors of Hind Energy and Coal Benefication India; with their extensive experience RMPL has enabled itself to forge healthy relationships with customers for their authorized dealership, which in turn has helped in growth of the business. The company's revenue has seen healthy growth in revenue in the initial stage amidst high competitive

intensity; and RMPL expects the revenue to scale higher numbers in the nearing term.

Average business risk profile albeit volatile nature of business

The operating revenue of the company increased sharply to Rs 413.18 crore in FY22 as compared to Rs 27.86 crore in FY21 in the initial years of operations backed by strong revenue from its group company, hind energy and Coal Beneficiation. Company has reported provisional revenue as on 28 th February 2023 at Rs. 621. The operating margin improved to 3.59 per cent in FY22 as against 2.36 per cent in the previous year; the PAT margins increased to 2.13 per cent for FY22 as against 0.54 per cent for FY21 supported by revenue growth and efficient operations. The RoCE levels for the company stood at 24.66 per cent for FY22 as against 3.86 per cent for FY21. RMPL's revenue primarily generates via orders from its parent company and other customers in the state of Chhattisgarh; and service centre run for the commercial vehicle segment with a bay for 20 vehicles. Going forward, the improvement in profitability margins will remain a key rating sensitivity. Acuité believes that the company will continue to sustain its orders from clientele and maintain its business risk profile over the medium term.

Moderate financial risk profile

RMPL's financial risk profile is moderate; marked by its capital structure and coverage. Company's net worth increased to Rs.13.97 Cr as on March 31, 2022 as against Rs.4.16 Cr as on 31 March, 2021. The gearing of the company stood high at 6.09 for FY22 as against 6.68 times for FY21. The debt protection metrics of interest coverage and debt service coverage ratio stood at 3.8 times and 3.12 times respectively as on March 31st 2022 as against 1.51 times and 1.41 times respectively as on March 31st 2021. The net cash accrual to debt stood low at just 0.11 times as on March 31st 2022 against 0.01 times as on March 31st 2021. The total outside liabilities to tangible net worth stood high at 7.08 times as on March 31st 2022 against 9.33 times as on March 31st 2021; primarily due to high short term debt. Acuité believes that the financial risk profile of the firm is expected to remain moderate in medium term in absence of any debt funded capex.

Weaknesses

Moderate working capital mechanism

The working capital operations of RMPL is marked moderate with Gross current asset (GCA) days of 91 days in FY 2022 as against 458 days in FY 2021 reduction in GCA days is due to better inventory management with inventory days reduced from 293 days in FY21 to 35 days in FY22. Debtor days remained stable at 44 days for FY22 and 62 days for FY21. Acuité' believes that working capital operations of the company may continue to remain moderate considering the nature of business.

Exposure to intense industry competition

The commercial vehicle industry in India is highly competitive. Being an authorized dealer for Tata Motors Ltd, the company has to compete with dealers of other car brands such as Ashok Leyland, Bharat Benz, Mahindra & Mahindra. Auto manufacturers also encourage more dealerships (thereby increasing competition among dealers) to improve market penetration and sales. Thus, the business risk profile may continue to be constrained by limited bargaining power with principals, and exposure to intense competition. Although, majority of share in Chhattisgarh is shared by Tata Motors Ltd and Ashok Leyland; hence giving an advantage over its competitors over medium term to scale RMPL's operations.

Rating Sensitivities

- Improving business risk profile supported by increase in scale of operations and improvement in operating margins.
- Improving working capital requirement marked by decline in inventory levels.

Material covenants

None

Liquidity Position

Adequate

Liquidity is adequately backed by RMPL's net cash accruals; which stood at Rs. 9.24 Cr as on March 31, 2022 against debt repayment of Rs.0.36 crore over the same period. The Working Capital limits of Rs 57 crore averaged over 12 months were highly utilized at ~83 per cent over the same period ended February, 2023. The cash and bank balances of the firm stood at Rs.8.48 crore as on March 31, 2022. The current ratio stood adequate at 1.12 times as on March 31, 2022. Moreover, the working capital intensive management of the company is improving backed by improving Gross Current Assets (GCA) of 91 days on 31st March 2022 as compared to 458 days on 31st March 2021. Acuité believes that going forward the company will accelerate to maintain adequate liquidity position due to its increasing accruals.

Outlook: Stable

Acuité believes that RMPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	413.18	27.86
PAT	Rs. Cr.	8.82	0.15
PAT Margin	(%)	2.13	0.54
Total Debt/Tangible Net Worth	Times	6.09	6.68
PBDIT/Interest	Times	3.80	1.51

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-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BBB- Stable Assigned

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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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