



Press Release
RAMA MOTOCORP PRIVATE LIMITED
July 11, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	84.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	21.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	105.00	-	-

Rating Rationale

Acuite has reaffirmed 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'**.

Acuite has assigned its long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** to the Rs 84.00 Cr bank facilities of Rama Motocorp Private Limited (RMPL). The outlook is **'Stable'**.

Rationale for rating

The rating takes into account the company's initial operations, its association with Tata Motors Limited (TML), and its wide distribution network across several districts of Chhattisgarh. Further, the rating factors in moderate financial risk profile along with a moderate working capital mechanism. The rating is, however, constrained by the inherently thin margins in the auto dealership business due to limited bargaining power. The rating also notes the company's susceptibility to the cyclical nature of the Indian PV industry and the intense competition among the dealers.

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. Whereas, Hind Energy is engaged in Coal washing and Coal transportation. Based in 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 is promoted by Mr. Rajeev Agrawal, Mr. Sanjay Agrawal, Mr. Rajesh Agrawal, and Mr.

Nitin Agrawal, who have over two decades of experience in the coal transportation industry. The same promoters and directors of Hind Energy and Coal Benefication India incorporated

the company, and 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 revenue recorded a healthy growth 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

RMPL posted revenue of Rs.413.18 Cr in FY2022 registering an y-o-y growth of ~1383 per cent from Rs.27.86 Cr in FY2021 in the initial years of operations backed by strong revenue from its group company, hind energy and Coal Benefication. Further, the company registered a revenue growth of ~76.77 per cent in FY2023 with Rs.730.39 Cr in FY2023 (Prov).

The operating margin of the company improved to 3.59 per cent in FY2022 from 2.36 per cent in FY2021 on account of cost rationalisation. Furthermore, the operating margin improved to 5.02 per cent in FY23 (prov). However, the operating margin declined to 4.04 per cent in FY2023 on account of attractive discount provided to its customers due to intense competition from other auto dealers. The PAT margin stood at 2.13 per cent in FY2022 as against 0.54 times in FY2021 and further improved to 3.32 per cent in FY2023 (prov). RMPL generates its revenue primarily 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.

Acuite believes that the revenues derived from the higher margin segments including workshop income, sale of spares and accessories shall support the profitability to an extent.

Moderate financial risk profile

The company's moderate financial risk profile is marked by modest network, moderate gearing and debt protection metrics. The tangible net worth of the company improved to Rs.13.97 Cr as on March 31, 2022 from Rs.4.16 Cr as on March 31, 2021 due to accretion of profit to reserves. Further, the tangible net worth of the company increased to Rs.44.24 Cr as on March 31, 2023 (Prov).

Gearing of the company stood at 6.09 times as on March 31, 2022 as against 6.68 times as on March 31, 2021. It further improved and stood moderate at 2.0 times as on March 31, 2023 (Prov).

The debt protection metrics of the company is marked by ICR at 3.80 times and DSCR at 3.12 times as on March 31, 2022 as against 1.51 times and 1.41 times respectively as on March 31, 2021. Moreover, the DSCR further improved to 4.76 times, whereas Interest Coverage Ratio improved to 6.36 times as on March 31, 2023 (Prov).

The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 7.08 times as on March 31, 2022, as against 9.33 times as on March 31, 2021, and further improved to ~2.69 times as on March 31, 2023 (Prov). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on March 31, 2022. Acuite 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-intensive nature of operations of the company is marked by improving but high GCA days of 91 days in FY2022 as compared to 458 days in FY2021. The GCA days further improved to 77 days in FY2023 (Prov). This improvement is mainly on account of better inventory management and improved collection mechanism. The inventory period improved to 35 days in FY2022 as against 293 days in FY2021 and remained at 34 days in FY2023 (Prov). Moreover, the debtor period improved to 44 days in FY2022 as against 62 days in FY2021 and improved further to 33 days in FY2023 (Prov). Acuite believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

Exposure to intense industry competition

The commercial vehicle industry in India is highly competitive. Being an authorized dealer for

Tata Motors Ltd, the company must 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

- Sustenance of the profitability margins while scaling up of operations.
- Further elongation of working capital cycle.

Material covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.9.24 Cr as on March 31, 2022 as against no debt repayment over the same period. The current ratio stood moderate at 1.12 times in FY2022 as against 0.90 times in FY2021. Further, the fund based limit remained highly utilized at 84 per cent over last 7 month ended May 2023. The cash and bank balances of the company stood at Rs.8.48 Cr as on March 31, 2022 as compared to Rs.1.17 Cr as on March 31, 2021. Moreover, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 91 days as on March 31, 2022 as against 458 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady 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)

Not Applicable

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, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2023	Inventory Funding	Long Term	21.00	ACUITE BBB- Stable (Assigned)

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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.85	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	78.15	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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