



Press Release

Rajalakshmi Cars Pvt Ltd (RCPL)

April 12, 2022

Ratings

| Instrument Facility | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|--------------------------------------|--------------------|---|---------------|----------------------|
| Long Term Bank Facilities | 48.42 | IVR BB/Stable (IVR Double B with Stable outlook) | Assigned | Simple |
| Long Term/Short Term Bank Facilities | 1.58 | IVR BB/Stable/ IVR A4 (IVR Double B with Stable outlook/IVR A Four) | Assigned | Simple |
| Total | 50.00 | | | |

Details of facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Rajalakshmi Cars Pvt Ltd derives strength from Promoters' experience in the auto-dealership business and Established position of MSIL as a market leader in the Indian passenger vehicle (PV) segment. The rating is however constrained by Susceptibility to Leveraged capital structure, Thin margins inherent in the auto dealership business due to the trading nature of operation and Exposure to volatility in economic cycles and intense industry competition.

Key Rating Sensitivities:

Upward Factor:

- Sustained and significant improvement in the scale of operations while maintaining profitability & protection metrics.

Downward Factor:

- Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Promoters' experience in the auto-dealership business: Extensive experience of the promoters has helped establish strong relationship with the principal, Maruti Suzuki India Ltd (MSIL; 'CRISIL AAA/Stable/CRISIL A1+'), and customers.



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Established position of MSIL as a market leader in the Indian passenger vehicle (PV) segment: PCPL's principal, MSIL, is the market leader in the Indian passenger vehicles segment and has a market share of 47.7% in FY2021. MSIL's market share is aided by success of its new models, facelifts and continued healthy performance of its existing models.

Key Rating Weaknesses

Leveraged capital structure: The company's capital structure remained stretched with high gearing and TOL/TNW of 7.68 times and 7.84 times as on March 31, 2020. While the company's capital structure improved in FY2021 as overall gearing is at 5.90x and TOL/TNW remained at 6.01x in FY20.

Thin margins inherent in the auto dealership business due to the trading nature of operation: The company's operating margin remain low due to the trading nature of operations and inherently low margins in the dealership business. The sale volumes of new cars remained weak during FY2020 and FY2021 due to the outbreak of covid-19 which led to lockdown of services throughout the country.

Exposure to volatility in economic cycles and intense industry competition: Automobile sales are exposed to risks related to economic cycle. Any downturn in economic activity, particularly, in the region in which the company operates, would impact the operating performance of the company. Further, automobile dealership business is exposed to intense competition and therefore, RCPL is expected to remain exposed to such risks.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity - Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of INR. 4.15 Crore in FY21. The overall utilisation of the fund-based limits remains



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high at 97.08% during the last 12 months ended February 2022. The current ratio stood at 1.39 times as on 31st March 2021.

About the Company

Rajalakshmi Cars Private Ltd. (RCPL) was established in 2011 and have the dealership of Maruti Suzuki India Ltd (MSIL). RCPL has six showrooms and 6 service stations across Chennai. Rajalakshmi Cars Pvt. Ltd. (RCPL) is the first Workshop of North Chennai with Fully Automatic Equipment and with a World Class Service Experience.

Financials (Standalone)

| For the year ended* As on | INR in Crore | |
|---------------------------|--------------|------------|
| | 31-03-2020 | 31-03-2021 |
| | Audited | Audited |
| Total Operating Income | 240.92 | 147.31 |
| EBITDA | 11.37 | 9.28 |
| PAT | 0.82 | 0.26 |
| Total Debt | 61.54 | 44.28 |
| Tangible Net Worth | 9.74 | 10.00 |
| EBITDA Margin (%) | 4.72 | 6.30 |
| PAT Margin (%) | 0.34 | 0.17 |
| Overall Gearing Ratio (x) | 8.05 | 6.07 |

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: INC from CRISIL as per PR dated January 29, 2022 due to unavailability of Information.

Any other information: N.A.

Rating History for last three years:



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| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|---------|---|--------------------------------|--------------------------------|---|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1. | Fund Based Facility – Term Loans | Long Term | 20.12 | IVR BB/Stable (IVR Double B with Stable outlook) | - | - | - |
| 2. | Fund Based Facility – Cash Credit/Overdraft | Long Term | 25.30 | IVR BB/Stable (IVR Double B with Stable outlook) | - | - | - |
| 3. | Fund Based Facilities- e-DFS | Long Term | 3.00 | IVR BB/Stable (IVR Double B with Stable outlook) | - | - | - |
| 4. | Fund Based Facility – Proposed | Long/Short Term | 1.58 | IVR BB/Stable/ IVR A4 (IVR Double B with Stable outlook/IVR A Four) | - | - | - |

Name and Contact Details of the Rating Analysts:

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|---|---|
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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--|
| Long Term Fund Based Facility – Term Loan | - | - | July 2024 | 9.80 | IVR BB/Stable (IVR Double B with Stable outlook) |
| Long Term Fund Based Facility – Term Loan | - | - | February 2026 | 10.32 | IVR BB/Stable (IVR Double B with Stable outlook) |
| Long Term Fund Based Facility – Cash Credit | - | - | - | 17.80 | IVR BB/Stable (IVR Double B with Stable outlook) |



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| | | | | | |
|---|---|---|---|------|---|
| Long Term Fund Based Facility – Overdraft | - | - | - | 7.50 | IVR BB/Stable (IVR Double B with Stable outlook) |
| Long Term Fund Based Facility – E-DFS | - | - | - | 3.00 | IVR BB/Stable (IVR Double B with Stable outlook) |
| Long Term/Short Term Fund Based Facility – Proposed | - | - | - | 1.58 | IVR BB/Stable/ IVR A4 (IVR Double B with Stable outlook/IVR A Four) |

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Rajalakshmi-Cars-apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.