Press Release

Rajalakshmi Cars Private Limited

July 10, 2023

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1	Long Term Bank Facilities – Term Loan	16.66	IVR BB/Stable (IVR Double B with Stable outlook)	IVR BB/Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
2	Long Term Bank Fund Based Facilities	33.30	IVR BB/Stable (IVR Double B with Stable outlook)	IVR BB/Stable (IVR Double B with Stable outlook)	Reaffirmed	Simple
	Total	**49.96**	**Rs. Forty - Nine crores & Ninety – Six Lakhs only**			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long-term rating of IVR BB with a Stable outlook for the bank loan facilities of Rajalakshmi Cars Private Limited (RCPL).

The rating reaffirmation to the bank facilities of **Rajalakshmi Cars Private Limited** have been reaffirmed as the company continues to draw comfort from its experienced promoters in auto-dealership business and being a sole dealership for Maruti Suzuki is attractive brand. However, these rating strengths are partially offset by its leveraged Capital structure, thin margins in the auto dealership business, volatile economic cycle.

IVR has principally relied on the standalone audited financial results of RCPL up to 31 March 2022, provisional results for 2023 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Upward Factors

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

Downward Factors

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

List of Key Rating Drivers with Detailed Description

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.

- **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 46.1% in FY2022. 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:**

Overall gearing including Quasi equity has deteriorated marginally in FY23 to 1.99x compared to 1.92x in FY21 due to increase in debts. Similarly, TOL/ATNW has also deteriorated to 2.01x in FY23 from 1.96x in FY21.Interest coverage of the company has decreased to 1.46x in FY23 compared to 1.82x in FY21, DSCR stands at 0.69x in FY23 compared to 1.80x in FY21 due to increase in short term repayments.

- **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 although increased in FY23 post covid-19.

- **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 Approach

Applicable Criteria:

Rating Methodology for Trading Companies
Financial Ratios & Interpretation (Non-financial Sector)
Criteria of assigning rating outlook

Liquidity – Adequate

The company is generating lower cash accruals as compared to the previous years. Cash accrual for the FY 24-26 are estimated at Rs 2.69- 4.48crs as against repayment of term loan instalments of Rs 5.49- 4.92 crs. The gap between cash accrual to repayment will be met from unsecured loans from promoters. However, the unsecured loans from promoters will help in keeping the liquidity in check. The average utilization for fund-based limits stood at 79.67% for months ending May 2023. The current ratio also stood at 1.37 which is sufficient in the short – term.

About the Company

Rajalakshmi Cars Pvt Ltd is part of Rajalakshmi Group, which was started by Thiru S Meganathan during 1995, is a Professionally Managed Group and established in the areas of education, Automobile Dealership, Renewable Energy and Engineering Services.

Rajalakshmi Cars Pvt Ltd: Company primarily is a dealer for Maruti Suzuki Cars in North Chennai. Started Workshop Operation on 24th October 2012.Territory covers – North Chennai – Which is the untapped and new market for the car industry in Chennai. Convenient and easily accessible Workshop.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Provisional

For the year ended*/As on	31-03-2022	31-03-2023
Total Operating Income	128.50	179.76
EBITDA	7.24	7.11
PAT	0.25	0.43
Total Debt	53.11	53.27
Adjusted Tangible Net worth	26.37	26.78
EBITDA Margin (%)	5.63	3.96
PAT Margin (%)	0.19	0.24
Adjusted Overall Gearing Ratio (x)	2.01	1.99

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA:

CRISIL vide its press release dated March 20, 2023, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating Date(s) & Rating(s) assigned in 2023-24 (July 10 2023)	Date(s) & Rating(s) assigned in 2022-23 (April 12, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Fund Based Facility - Term Loans	Long Term	16.66	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)	--	--	--
2	Long Term Bank Fund Based Facilities	Long Term	33.30	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)	--	--	--

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.

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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 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 4 in major cities and representatives in several locations. For more information visit www.infomerics.com

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	--	--	Varied	16.66	IVR BB/ Stable (IVR Double B with Stable outlook)
Long Term Fund Based Facility – Overdraft/ Cash credit	--	--	Revolving	33.30	IVR BB/ Stable (IVR Double B with Stable outlook)

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-rcpl-jul23.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.