

R. P. Motors

Instrument	Amount	Rating Action
Fund Based Limit – Term Loan	Rs. 1.86 crores	[ICRA]B reaffirmed
Fund Based Limit – Cash Credit e-DFS	Rs. 2.80 crore	[ICRA]B reaffirmed
Fund Based Limit – Cash Credit regular	Rs. 1.00 crore (Revised from Rs. 0.10 crore)	[ICRA]B reaffirmed/assigned
Fund Based Limit - Cash Credit Ad hoc	Nil (Revised from Rs. 0.20 crore)	-
Untied limits	Rs. 0.30 crore (revised from Rs. 1.00 crore)	[ICRA]B reaffirmed

ICRA has reaffirmed the long-term rating of **[ICRA]B** (pronounced ICRA B)¹ assigned to the Rs. 1.86 crore² term loan, Rs. 3.80 cash credit facilities and Rs. 0.30 crore untied limits of R. P. Motors (RPM).

The reaffirmation of the rating takes into account the relatively small size and the short period of RPM's operations, inherently low margins of the entity, on account of industry dynamics, and commission structure decided by the principal, and its weak financial risk profile characterised by a leveraged capital structure and depressed level of coverage indicators; though the same have shown some improvement in FY2016. The rating continues to remain constrained by the high working capital requirements in the automobile dealership business and vulnerability of the sales to the cyclical nature of the passenger vehicle industry. The rating further incorporates the risks associated with the entity's status as a proprietorship concern, including the risk of capital withdrawal by the proprietor.

The rating, however, derives comfort from the current status of RPM as the sole authorised dealer of Ford vehicles in Meghalaya, which provides business comfort to an extent, though risk associated with competition from other original equipment manufacturer (OEM) dealerships remains. ICRA notes that the top-line as well as profitability of the entity has witnessed an improvement in FY2016 over the previous fiscal due to the stability of its operations.

In ICRA's opinion, the ability of the entity to improve its capital structure and profitability while managing its working capital requirement efficiently would remain key rating sensitivities, going forward.

Entity Profile

Established in December 2013 as a proprietorship concern, R. P. Motors (RPM) is an automobile dealer and has a showroom-cum-service workshop with 3S facilities (Sales-Services-Spares) in Shillong, Meghalaya. The entity is at present the sole authorised dealer of Ford India Private Limited (FIPL) in Meghalaya, and also sells and services vehicles. The entity also sells spare parts and accessories and trades in second hand cars of any make. RPM is managed by the proprietor, Mr. Renikton Lyngdoh.

Recent Results

The entity has reported a net profit of Rs. 0.52 crore on an Operating Income of Rs. 16.67 crore during FY2016 (provisional). It reported a net profit of Rs. 0.09 crore on an operating income of Rs. 13.73 crore in FY2015.

June 2016

¹ For complete rating scale and definitions please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

² 100 lakh = 1 crore = 10 million



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