

Rohan Motors Limited

| | Amount (Rs. Cr) | Rating Action |
|-------------------------|--------------------|--------------------------------|
| | | December 2016 |
| Cash Credit | 40.0 | [ICRA]BBB- (Stable) reaffirmed |
| Bank Guarantee | 7.5 | [ICRA]BBB- (Stable) reaffirmed |
| Bill Discounting | 3.0 | [ICRA]A3 reaffirmed |
| Total | 50.5 | |

ICRA has reaffirmed the long term rating at [ICRA]BBB- (pronounced ICRA triple B minus) and the short term rating at [ICRA]A3 (pronounced ICRA A three) for the Rs. 50.50 crore¹ bank facilities of Rohan Motors Limited ('RML' or 'the company')[†]. The long term rating has a 'stable' outlook.

The rating reaffirmation takes into consideration RML's long track record of operations as an authorised dealership for Maruti Suzuki India Limited (MSIL) and the experience of its management in the automobile dealership business for almost 30 years. The company is one of the largest dealerships for MSIL in North India, operating in 13 locations spread across the four states of Delhi, Haryana, Uttarakhand and Uttar Pradesh, which improves its scale of operations in addition to offering geographical diversification to its revenues. The rating decision also factors in that RML has been one of the first few dealerships of MSIL to operate outlets under the premium sales channel of MSIL, namely NEXA, and has benefited from the resultant exclusivity of sales. The ratings also draw comfort from the fact that RML belongs to the Suri Group of companies which has presence across multiple companies in diversified sectors including manufacturing, education and hospitality, and also includes Subros Limited (rated A+(Stable)/A1+ by ICRA), which is the flagship company.

The ratings, however, are constrained by the highly leveraged capital structure of the company, with continued reliance on working capital borrowings to fund its inventory requirements, which has been constraining the company's coverage indicators over the years. The rating decision also factors in the susceptibility of the company to slowdown in PV sales and the low margins in the dealership business as margins are fixed by OEMs with limited bargaining power for dealerships. Additionally, the company's performance also remains directly linked to the performance of its principle OEM in the domestic market; however, with the strong performance of MSIL in the domestic PV market, commanding close to half the market, and regular new model launches by the OEM, business risks for RML remain low. The rating decision also factors in the high competitive intensity in the PV dealership industry, with rising number of dealerships both for MSIL as well as other OEMs.

Going forward, the ratings would remain sensitive to the company's ability to profitably ramp up its operations while managing its working capital requirements efficiently. The increase in working capital borrowings as the company scales up its operations, and the impact of the same on the company's capital structure and coverage indicators would remain the key sensitivities for the rating.

Company Profile

With multiple sales outlets located across Delhi, Uttarakhand, Uttar Pradesh and Haryana, Rohan Motors Limited is one of the largest dealers for Maruti Suzuki India Limited in North India. The company has been in the dealership business for the past 28 years and has integrated outlets at all locations with infrastructure to provide sales, service and spares (3S) to its customers. Since the first sales outlet that came up at Ghaziabad in 1988, RML has consistently grown and strengthened its market position over the years by continuously investing in building infrastructure.

RML is part of the Suri Group of companies having diversified business interests including manufacturing of auto components, telecom, hospitality, auto retailers, education and HR consulting. The flagship company of the Group is Subros Limited, which manufactures and supplies air conditioners for MSIL, Tata Motors Limited (TML) and Mahindra & Mahindra Limited (M&M).

¹ 100 Lakh = 1 Crore = 10 million

[†] For detailed rating scales and definitions refer the ICRA website www.icra.in or other ICRA publications

Recent Results

As per audited financials, RML reported a PAT of Rs. 4.8 Crore and an OPBITDA of Rs. 26.8 Crore on an Operating Income of Rs. 1136.3 Crore in FY2016. As per audited financials, the company reported an operating income of Rs. 1017.3 Crore, OPBITDA of Rs. 27.2 Crore, and PAT of Rs. 5.2 Crore during FY2015.

December 2016

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