



## Rating Rationale

Reeshav Automobiles Private Limited

21-Dec-2017

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**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 19.58 Crores of Reeshav Automobiles Private Limited.**

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### Particulars

Facility#	Amount (₹ Crs)	Tenure	Rating*
Fund based	19.58	Long Term	<b>BWR BB+</b> <b>Outlook: Stable</b> <i>(Pronounced BWR Double B Plus)</i> <b>(Assigned)</b>
<b>Total</b>	<b>19.58</b>	<b>INR Nineteen Crores and Fifty Eight Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Details of rating facilities has been mentioned in annexure.

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, projected Financials of **Reeshav Automobiles Private Limited** up to FY19, publicly available information and information/clarifications provided by the Company's management.

The rating draws strength from the experienced management, being an authorized dealer of **Maruti Suzuki India Limited** along with trading its spares and service, improved in revenues due to increase in number of cars sold, adequate debt/interest servicing metrics and efficient management of working capital. However, the rating is constrained by low net worth levels, thin profit margins, competition from other brands and working capital intensive nature of business.

Going forward, the ability of the company to improve revenues and profitability margins and manage working capital requirement would be the key rating sensitivities.

### Description of Key Rating Drivers



### **Credit Strength:**

- Promoters Experience in Automobile industry.
- Sole dealer of Maruti Suzuki India Limited cars in that area
- Wide geographic reach as the company has six different showrooms with its service center in six different cities of Bihar.
- During FY17, the company has started sales of **NEXA** segment passenger cars which have improved the revenues of the company.
- During FY17, the company is managing its working capital efficiently as reflected by cash conversion cycle of 22 days which has reduced the dependency upon the external working capital requirements.
- Improvement in the number of passenger cars sold in H1FY18 as against no. of passenger cars sold during FY17.

### **Credit Weaknesses:**

- The company has low tangible net worth in FY17.
- Stiff competition from other Passenger Car Brands in the city.
- Subdued demand in the automobile industry.
- Thin profitability Margins.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Reeshav Automobiles Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Reeshav Automobiles Private Limited is a Private Limited incorporated on 02 February 2010. The company is an authorized dealer of Maruti Suzuki India Limited for its passenger car segment and sales of



spares and parts with car service facilities. The main geographic area of business operations is in the state of Bihar. The corporate office is located in Patna, Bihar. Directors of Reeshav Automobiles Private Limited are Mr. Bhushan Kumar and Ms. Renu Roy. The company has 6 showrooms along with their workshops in different cities of Bihar. The company has an aggregate car display capacity of 30 cars.

### Company Financial Performance

Total operating income of the company has increased by 34.75% from Rs. 86.77 Crs in FY16 to Rs. 116.93 Crs in FY17. Profit after tax of the company stood at Rs. 1.79 Crs in FY17.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1.	Fund Based	Long Term	19.58	BWR BB+ (Stable) Assigned	--	--	--
	<b>Total</b>		<b>19.58</b>	<b>INR Nineteen Crores and Fifty Eight Lakhs Only</b>			

**Status of non-cooperation with previous CRA** - CRISIL Ltd has reaffirmed the Rating at CRISIL BB (Stable) Issuer Not Cooperating on 28 Nov, 2017 due to non-cooperated by the company.

### Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	92.22	123.49
EBITDA	₹ Cr	1.26	2.53
PAT	₹ Cr	0.52	0.74
Tangible Net worth	₹ Cr	4.94	6.08



Total Debt/Tangible Net worth	Times	0.97	1.88
Current Ratio	Times	1.39	2.15

**Annexure - I**  
**Rating Facilities Details**

Name of the Bank	Facilities	Tenure	Amount (₹ Crores)
State Bank of India	E-DFS	Long Term	15.00
	Cash Credit		2.00
	SLC		1.20
	Term Loan*		1.38
<b>Total</b>			<b>19.58</b>

\* Term loan outstanding has been considered for the rating.

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

For any other criteria obtain hyperlinks from website

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For print and digital media



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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.