



**ARGUS CREDIT RATING SERVICES LTD.
(ACRSL)**

Credit Rating Report

**RANCON MOTORS
LIMITED**

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Authorized Signature:

Name:

Designation:

Date:

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(ACRSL10019/12)

Entity: RANCON MOTORS LIMITED (RML)

RATINGS SUMMARY

CREDIT RATING - Entity	CURRENT	PREVIOUS
Long-Term	A-	N/A
Short-Term	ST-3	N/A
Date	March 8, 2012	

RATINGS EXPLANATION

A-	<p>Long Term: This category for an institution is considered to offer moderate degree of safety for timely repayment of financial obligations. This level of rating has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions compared to the higher-rated categories.</p>
ST-3	<p>Short Term: Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.</p>

Major Rating Considerations:

Strengths:

- **Rancon Motors Ltd. (RML) has the sole Bangladeshi distributorship for Mercedes-Benz, a top-5 luxury auto brand globally.** Bangladesh has a growing segment of high net worth individuals and institutions who are purchasing luxury cars, roughly 50% of this demand is captured by RML, providing a captive revenue base and pricing power.
- **Management has a degree of professionalism that contributes to efficient operational controls.** Management's strong operational track record and focus on financial performance is highlighted in an increasing trend in the company's operating margin.
- **RML is a part of a large business conglomerate, providing financial flexibility.** RML is a part of RANGS Group, a large diversified conglomerate with substantial revenue base from multiple sectors and asset rich directors. This contributes to RML's financial flexibility and a strong support base in case of financial stress.

Concerns:

- **ACRSL is concerned regarding RML's high leverage, used for heavy buildup in inventory stock and stressing operational cash flow.** RML's working capital financing largely depends on short term borrowing but its inventory turnover is showing a decreasing trend. This is increasing the company's financial expense and pushing RML to take on higher debt load. Over the last three years RML'S cash flow from operations has been in negative territory.
- **Due to foreign currency stress and high taxation, near term demand and inventory costs creating challenges.** Macroeconomic risks are becoming more pronounced in FY12 and may impact RML adversely.

**RANCON MOTORS LTD.
ACTIVITY**

Importer and Seller of
Luxury Cars

INCORPORATED ON

January 14, 2002

CHAIRMAN

Mr. A Rouf Chowdhury

MANAGING DIRECTOR

Mr. Romo Rouf Chowdhury

TOTAL ASSETS

BDT 373.2 MN

TOTAL EQUITY

BDT 63.4 MN

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