

June 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BBB-/Stable (Assigned)
Cash Credit (e-DFS)	18.00	SMERA A3 (Assigned)
Stand-by Line of Credit	3.00	SMERA A3 (Assigned)
Inventory Funding	5.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) to the Rs.35.00 crore bank facilities of Oja Automobiles Private Limited (OAPL). The outlook is '**Stable**'. The ratings derive comfort from the company's diversified revenue profile, improved operating profit margin and moderate financial risk profile. The ratings also factor in the company's established association with Hyundai Motors India Limited (HMIL) and JCB India Limited (JCB). However, the ratings are constrained by the company's exposure to intense competition in the automobile dealership business. The ratings also note that OAPL is susceptible to the inherent cyclicity in the automobile industry leading to an uneven revenue trend.

OAPL, incorporated in 2005, is a Guwahati-based authorized dealer of HMIL and JCB and has a diversified revenue profile. While OAPL sells cars, accessories, spare parts and undertakes servicing work for HMIL, the company is also the sole dealer for JCB's earthmoving equipments in Guwahati. The company's operating profit margin for FY2014-15 (refers to financial year, April 01 to March 31) stood at 3.04 per cent (provisional). It had increased to 3.16 per cent in FY2013-14 from 2.46 per cent in FY2011-12 mainly due to increase in income from sale of spares and vehicle servicing.

OAPL's moderate financial risk profile is marked by gearing (debt-to-equity ratio) of 1.83 times as on March 31, 2014. The company's total debt of Rs.29.67 crore (as on March 31, 2014) mainly comprises working capital loans. OAPL's utilisation of bank facilities is at 88.16 per cent for six months ended April 2015. The interest coverage ratio has been moderate at 1.47 times in FY2013-14. The company faces intense competition from dealers of Maruti Suzuki and Volvo. Besides, OAPL's operations are exposed to the inherent cyclicity in the automobile industry leading to an uneven revenue trend.

Outlook: Stable

SMERA believes OAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' if OAPL registers strong growth in scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability amidst intensifying competition, or in case of deterioration in the company's financial risk profile due to higher-than-expected increase in debt-funded working capital requirements.

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About the Company

OAPL, incorporated in 2005, is a Guwahati-based authorized dealer of HMIL and JCB vehicles. The company, promoted by Mr. Rajdeep Oja, Mr. Debraj Oja and Mrs. Queen Oja is also a clearing and forwarding agent for Hyundai spare parts in the north east. The company has two showrooms cum workshops and 11 service stations for JCB and two 4S (Sales, Service, Spares and Second Hand), two 3S (Sales, Service and Spares) and one second hand showroom for HMIL.

OAPL reported profit after tax (PAT) of Rs.0.54 crore on operating income of Rs.175.56 crore for FY2013-14, as compared with PAT of Rs.0.57 crore on operating income of Rs.191.88 crore in FY2012-13. For FY2014-15, OAPL has reported PAT of Rs. 0.64 crore (provisional) on operating income of Rs. 191.90 crore. The company's net worth stood at Rs.16.26 crore as on March 31, 2014, as compared with Rs.15.72 crore a year earlier. The tangible net worth stands at Rs.16.90 crore (provisional) as on March 31, 2015.

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