

### Oja Automobiles Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BBB-/Negative (Reaffirmed; outlook revised)
Cash Credit (e-DFS)	18.00	SMERA A3 (Reaffirmed)
Stand-by Line of Credit	3.00	SMERA A3 (Reaffirmed)
Inventory Funding	5.00	SMERA A3 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3**' (**read as SMERA A three**) on the Rs.35.00 crore bank facilities of Oja Automobiles Private Limited (OAPL). The outlook is revised from 'Stable' to '**Negative**'. The revision in outlook is in view of the continuous deterioration in the company's operating profit margins and liquidity position.

The ratings continue to derive comfort from the company's established association with Hyundai Motors India Limited (HMIL) and JCB, diversified revenue profile and moderate financial risk profile. However, the ratings are constrained by the susceptibility of margins to intense competition in the automobile dealership business, stretched liquidity position and susceptibility to the inherent cyclical nature in the automobile industry.

#### Update

OAPL's revenues increased from Rs.191.92 crore in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.258.44 crore in FY2015-16 on account of revival of the auto industry. However, the operating margin declined over the years from 3.16 per cent in FY2013-14 to 2.44 per cent in FY2015-16 on account of an intensely competitive industry.

OAPL's financial risk profile continues to remain moderate with gearing (debt-equity ratio) at 1.81 times as on March 31, 2016. The interest coverage ratio stood at 1.70 times in FY2015-16. However, the company's liquidity position is stretched as evident from full utilisation of its bank lines.

The company continues to face intense competition from dealers of Maruti Suzuki and Volvo. Besides, OAPL's operations are exposed to the inherent cyclical nature in the automobile industry leading to an uneven revenue trend.

#### Rating Sensitivity Factors

- Movement in operating margins
- Liquidity position
- Improvement in capital structure

#### Outlook: Negative

SMERA believes that the outlook on OAPL will remain Negative over the medium term due to continuous decline in operating margins and its stressed liquidity position. The rating may be downgraded in case of further decline in operating margins and stretch in the liquidity position. Conversely, the outlook may be revised to 'Stable' in case the company registers sustained improvement in profit margins and liquidity.

**Criteria applied to arrive at the ratings:**

- Trading Entities

**About the Company**

OAPL, incorporated in 2005, is a Guwahati-based authorised 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 showroom cum workshops and service stations for JCB and 4S (Sales, Service, Spares and Second Hand), 3S (Sales, Service and Spares) and second hand showrooms for HMIL.

For FY2015-16, OAPL reported net profit of Rs.0.30 crore on operating income of Rs.258.44 crore, as compared with net loss of Rs.0.28 crore on operating income of Rs.191.92 crore in FY2014-15.

**Rating History**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
29 June, 2015	Cash Credit	9.00	SMERA BBB- (Assigned)	-	Stable
	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)	-

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**ABOUT SMERA**

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