

Oja Automobiles Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BBB-/Negative (Reaffirmed)
Cash Credit (e-DFS)	18.00	SMERA A3 (Reaffirmed)
Stand-by Line of Credit	3.00	SMERA A3 (Reaffirmed)
Inventory Funding	7.50 (revised from Rs. 5.00 crore)	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.37.50 crore bank facilities of Oja Automobiles Private Limited (OAPL). The outlook is '**Negative**'.

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 continuous deterioration in the company's operating profit margins as margins are susceptible to intense competition in the automobile dealership business. The ratings also factor in the stretched liquidity position and susceptibility to the inherent cyclicity 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 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.

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)	-
14 September, 2016	Cash Credit	9.00	SMERA BBB- (Reaffirmed; outlook revised)	-	Negative
	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)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.