

## Press Release

### Oja Automobiles Private Limited (OAPL)

01 September, 2017

#### Rating Reaffirmed



<b>Total Bank Facilities Rated *</b>	Rs 43.10. Crore
<b>Long Term Rating</b>	SMERA BBB-/Stable (Reaffirmed- Outlook revised)
<b>Short Term Rating</b>	SMERA A3 (Reaffirmed)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs 27.50 crore bank facilities of Oja Automobiles Private Limited (OAPL). SMERA has also assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs 15.60 crore long term bank facility of Oja Automobiles Private Limited (OAPL). The outlook is revised from 'Negative' to '**Stable**'. The revision in outlook is in view of the continuous improvement in operating income coupled with rise in operating margins and improvement in liquidity position.

OAPL, incorporated in 2005, is a Guwahati- based authorised dealer of Hyundai Motors and JCB vehicles. The company was promoted by Mr. Rajdeep Oja, Mr. Debaraj Oja and Ms Queen Oja. OAPL has four showrooms with 3S facility in Guwahati and Tezpur for Hyundai Motors India Limited (HMIL). Additionally, the company has a sales outlet in Kamrup and a second hand sales showroom in Guwahati. Besides, the company has two showrooms for JCB and 11 service stations spread across Assam.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced management** - The directors, Mr. Rajdeep Oja, Mr. Debaraj Oja and Ms Queen Oja have more than a decade of experience in the automobile dealership business.

**Established market position in Assam** -The company is the sole dealer of JCB vehicles and has an established position in Assam (with two showrooms and 11 service stations spread across Assam). Additionally, the company is an authorised dealer of HMIL. OAPL has four showrooms along with a sales outlet in Kamrup and a second hand sales showroom in Guwahati. The established market position is also reflected in the growth in JCB sales and HMIL passenger vehicles. The company clocked revenue of Rs 308.17 crore in FY2017 (Provisional) as against Rs 191.92 crore in FY2015 thereby registering a healthy CAGR of 26.68 per cent during the last two years.

**Healthy financial risk profile** -The financial risk profile of OAPL continues to remain healthy. The total debt as on 31 March, 2017 is mainly working capital limits. The net worth stood at Rs.17.36 crore as on 31 March, 2017 (Provisional) as against Rs.16.28 crore in FY2016. The ICR stood at 1.89 times for FY2017 (Provisional) compared to 1.70 times in FY2016. The gearing stood at a high of 2.21 times in FY2017 (Provisional) compared to 1.81 times in FY2016. The high gearing is primarily due to the enhanced working capital limit of OAPL to support the scaling up of operations.

**Improvement in liquidity** – SMERA has noticed improvement in the liquidity position of OAPL as reflected in the rise in net cash accruals to Rs 3.33 crore in FY2017 (Provisional) from Rs 2.37 crore in the previous year. SMERA also notes the absence of long term debt obligations against its net cash accruals. The rise in net cash accruals is due to continuous improvement in operating income during the last three years coupled with rise in operating margins in FY2017.

**Weaknesses:**

**Low margins-** The operating margins are low due to the trading nature of operations. However, in FY2017 (Provisional) margins have been better due to the higher proportion of spares and service contribution. The operating profit margins improved to 2.58 per cent in FY2017 (Provisional) from 2.44 per cent in FY2016.

**Stiff competition from other dealers of Hyundai and other brands-** With Hyundai focusing on expanding its dealership network, the competition among dealers has been getting intense. Furthermore, the firm is also exposed to competition from other automobile companies such as Honda, Tata Motors, Maruti, Chevrolet, among others. Besides, launch of new models at competitive prices eats into the market share of Hyundai which in turn affects dealers including OAPL.

**Analytical approach-** SMERA has considered the standalone business and financial risk profiles of OAPL.

**Applicable Criteria**

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook – Stable**

SMERA believes that OAPL will continue to benefit over the medium term from its experienced management and established association with Hyundai and JCB. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

**About the Rated Entity Financials**

For FY2017 (Provisional), OAPL reported Profit after Tax (PAT) of Rs.1.08 crore on total operating income of Rs.308.17 crore compared with PAT of Rs.0.30 crore on total operating income of Rs.258.44 crore in FY2016.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

Date	Name of Instruments/Facilities	Term	Amount (Rs Cr.)	Ratings/Outlook
26 Sept, 2016	Cash Credit	Long Term	9.00	SMERA BBB-/Negative (Reaffirmed)
	Cash Credit (e-DFS)	Short Term	18.00	SMERA A3 (Reaffirmed)
	Stand by Line of credit	Short Term	3.00	SMERA A3 (Reaffirmed)
	Inventory Funding	Short Term	7.50	SMERA A3 (Reaffirmed)
14 Sept, 2016	Cash Credit	Long Term	9.00	SMERA BBB-/Negative (Reaffirmed)
	Cash Credit (e-DFS)	Short Term	18.00	SMERA A3 (Reaffirmed)
	Stand by Line of credit	Short Term	3.00	SMERA A3 (Reaffirmed)
	Inventory Funding	Short Term	5.00	SMERA A3 (Reaffirmed)
29 June, 2015	Cash Credit	Long Term	9.00	SMERA BBB-/Stable (Assigned)
	Cash Credit (e-DFS)	Short Term	18.00	SMERA A3 (Assigned)
	Stand by Line of credit	Short Term	3.00	SMERA A3 (Assigned)
	Inventory Funding	Short Term	5.00	SMERA A3 (Assigned)

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	17.50	SMERA BBB-/ Stable (Reaffirmed )
Term Loan	NA	NA	NA	0.60	SMERA BBB-/ Stable (Assigned )
Cash Credit (e-DFS)	NA	NA	NA	12.00	SMERA BBB-/ Stable (Assigned )
Stand by Line of credit	NA	NA	NA	3.00	SMERA BBB-/ Stable (Assigned )
Inventory Funding	NA	NA	NA	10.00	SMERA A3 (Reaffirmed )

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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