

Press Release

Oja Automobiles Private Limited

November 21, 2018



Rating Re-affirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 47.10 Cr. (Enhanced from Rs 43.10 Crore)
Long Term Rating	ACUITE BBB-/Stable (Re-affirmed and Withdrawn)
Short Term Rating	ACUITE A3 (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE three**) on Rs 47.10 crore bank facilities of Oja Automobiles Private Limited (OAPL). The outlook is "**Stable**".

Further, Acuité has withdrawn long-term rating of „**ACUITE BBB-**“ (**read as ACUITE triple B minus**) to the Rs. 0.60 crore term loan facilities of OAPL. This is because the said facility has not been availed by the company.

OAPL, incorporated in 2005, is a Guwahati (Assam) based authorised dealer of Hyundai Motor India Limited and JCB India Ltd. 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 Motor India Limited (HML). 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.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of OAPL to arrive at the rating.

Key Rating Drivers:

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 authorized dealer of HML. 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 HML passenger vehicles. The company clocked revenue of Rs 383.75 crore in FY2018 as against Rs 311.13 crore in FY2017 thereby registering a healthy y-o-y growth of 23.34 per cent. The rise in revenue is primarily on account of growth in all the segments i.e cars sales, JCB sales and spares and services, though the company has seen major growth in JCB sales due to the continuous thrust of state and central government on infrastructure development. During FY 2018-19- the company has clocked revenue of Rs 193.71 crs (prov) till 30th Sept'18.

Comfortable financial risk profile

The comfortable financial risk profile of the company is marked by its modest net-worth, comfortable debt protection metrics and high gearing. The net worth stood at Rs.18.47 crore as on 31 March, 2018 as against Rs.17.00 crore in the previous year. The Interest coverage ratio (ICR) stood at 2.30 times for FY2018 compared to 1.83 times in FY2017. The gearing stood at 2.15 times as on 31 March, 2018 compared to 2.38 times in the previous year. The high gearing an inherent nature in auto dealership business is primarily due to the dependence on inventory funding to support the scaling up of operations.

Prudent Working Capital Cycle

OAPL has a prudent working capital cycle marked by the Gross Current Asset (GCA) days of 68 in FY 2018 and FY 2017. The debtor days during the period under review stood between 9-12 days. The inventory days during the period under review stood between 38-60 days. The lower working capital intensity is further reflected from the low utilization of ~ 62 per cent of its working capital facilities.

Weaknesses

Low margins

The operating margins are low due to the trading nature of operations. Operating profit margins declined to 2.18 % in FY2018 as against 2.38 % in FY2017.

Stiff competition from other dealers of HMIL and other brands

With HMIL focusing on expanding its dealership network, it results in increased competition within its own dealers.

Furthermore, the industry competition is also with other automobile companies like Honda Cars Ltd, Tata Motors Ltd, Maruti Suzuki India Ltd, etc. Launching new models at competitive prices, results into eating the market share of HMIL which in turn also affects its dealers including OAPL.

Outlook: Stable

Acuité believes that OAPL will continue to benefit over the medium term from its experienced management and established association with HMIL and JCB. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations and profit margins, while effectively managing its working capital cycle. 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 - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	383.75	311.13	258.44
EBITDA	Rs. Cr.	8.38	7.40	6.30
PAT	Rs. Cr.	1.47	0.48	0.30
EBITDA Margin	(%)	2.18	2.38	2.44
PAT Margin	(%)	0.38	0.15	0.12
ROCE	(%)	10.41	9.75	9.72

Total Debt/Tangible Net Worth	Times	2.15	2.38	1.81
PBDIT/Interest	Times	2.30	1.83	1.70
Total Debt/PBDIT	Times	4.72	5.44	4.52
Gross Current Assets (Days)	Days	68	68	75

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Instruments Name/Facilities	Term	Amount	Ratings/Outlook
01 Sept, 2017	Cash Credit	Long Term	17.50	ACUITE BBB-/Stable (Re-affirmed)
	Term Loan	Long Term	0.60	ACUITE BBB-/Stable (Re-affirmed)
	Cash Credit (E-DFS)	Long Term	12.00	ACUITE BBB-/Stable (Re-affirmed)
	Stand by Line of credit	Long Term	3.00	ACUITE BBB-/Stable (Re-affirmed)
	Inventory Funding	Short Term	10.00	ACUITE A3 (Re-affirmed)
26 Sept, 2016	Cash Credit	Long Term	9.00	ACUITE BBB-/Negative (Re-affirmed)
	Cash Credit (e-DFS)	Short Term	18.00	ACUITE A3 (Re-affirmed)
	Stand by Line of credit	Short Term	3.00	ACUITE A3 (Re-affirmed)
	Inventory Funding	Short Term	7.50	ACUITE A3 (Re-affirmed)

14 Sept, 2016	Cash Credit	Long Term	9.00	ACUITE BBB-/Negative (Reaffirmed)
	Cash Credit (e-DFS)	Short Term	18.00	ACUITE A3 (Reaffirmed)
	Stand by Line of credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Inventory Funding	Short Term	5.00	ACUITE A3 (Reaffirmed)
29 June, 2015	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit (e-DFS)	Short Term	18.00	ACUITE A3 (Assigned)
	Stand by Line of credit	Short Term	3.00	ACUITE A3 (Assigned)
	Inventory Funding	Short Term	5.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	22.50 (Enhanced from Rs17.50 Crore)	ACUITE BBB-/Stable (Re-affirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BBB-/Stable (Withdrawn)
Cash Credit (e-DFS)	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-/Stable (Re-affirmed)
Stand by Line of credit	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BBB-/Stable (Re-affirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Re-affirmed)

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About Acuité Ratings & Research:

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