

Press Release

Oja Automobiles Private Limited

October 20, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	-	ACUITE A2 Reaffirmed
Bank Loan Ratings	42.50	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	53.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to 'ACUITE BBB+' (read as ACUITE triple B plus) and short-term rating to 'ACUITE A2' (read as ACUITE A two) to the Rs.53.50 crore bank facilities of Oja Automobiles Private Limited (OAPL). The outlook is 'Stable'.

The rating continues to reflect the extensive experience of the management in automobile industry with established market position in Assam and long association with Hyundai Motors India Limited (HMIL) and JCB earth moving equipment. The rating also reflects by steady scale of operation and healthy financial risk profile of the company. However, these strengths are partially offset by the moderate profitability margin and stiff competition from the other automobile dealers in Assam.

About 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 and Mr. Debaraj Oja. OAPL has five showrooms with 3S facility in Guwahati and Tezpur (Assam) for Hyundai Motor India Limited (HMIL). Additionally, the company has a sales outlet in Kamrup and a second hand vehicles showroom in Guwahati. Besides, the company also has two showrooms for JCB and 12 service stations spread across Assam. The company is also operates as C&F agent of Hyundai spare parts for entire North East India.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of OAPL while arriving at the rating.

Key Rating Drivers

Strengths

Long track record of operation and established market position in Assam-

OAPL was established in the year 2005 by Mr. Rajdeep Oja and Mr. Debaraj Oja. The directors of the company have more than 15 years of experience in the automobile dealership business. The extensive experience of the management has helped the company establish long-term relations with Hyundai Motors India Limited, JCB India. The company is the sole dealer of JCB vehicles and has an established position in Assam (with two showrooms and 12 service stations spread across Assam. Additionally, the company is an authorized dealer of Hyundai Motors India Limited (HMIL). OAPL has 5 showrooms along with a sales outlet in Kamrup and a second-hand vehicle showroom in Guwahati. The established market position is also reflected steady business risk profile of the company.

Healthy scale of operation –

The revenue of the company stood healthy at Rs.457.54 crore in FY2022 as compared to Rs.468.25 crore in the previous year. This slight dip in revenue is on account of decrease in unit sales during the period due to the mismatch in demand and supply scenario for Hyundai PV's. Also, the total unit sold for JCB in FY2022 is lower than the previous year, mainly on account of low demand from the contractor backed by lack of work order from the Assam govt. during the period. Currently the company has earned Rs.164.00 crore till August 2022 (Prov.). Going forward, Acuité believes, the revenue of the company will sustain at the healthy level backed by increasing demand for passenger vehicle as well as JCB in the domestic market on account of continuous thrust of state and central government on infrastructure development.

Comfortable financial risk profile-

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.46.40 crore in FY 2022 as compared to Rs 38.80 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.28 times as on March 31, 2022 when compared to 0.30 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and stood at 8.05 times in FY2022 as against 7.28 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood strong at 6.32 times in FY2022 as compared to 5.91 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.69 times in FY2022 (Prov.) as compared to 0.89 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Thin profitability margin –

The operating profitability margin of the company stood at 3.00 per cent in FY2022 as against 3.26 per cent in the previous year. Acuité believes that the operating profitability margins of the company will remain at similar levels going forward due to limited value addition in trading nature of operation. The net profitability margin of the company stood at 1.66 per cent in FY2022 as compared to 1.87 per cent in the previous year.

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.

Rating Sensitivities

- Sustenance in scale of operation and profitability margin
- Working capital management

Material covenants

None

Liquidity Position

The company has strong liquidity position marked by healthy net cash accruals of Rs.9.05 crore as against nil long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 9.60 crore to Rs. 9.91 crore during 2023-24 as nil long term debt obligations during the period. The bank limit of the company has been only 33 percent utilized during the last six months ended in September 2022. The current ratio of the company stood comfortable at 2.01 times in FY2022. The Gross Current Asset (GCA) days of the company stood comfortable at 56 days in FY2022 . Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against the nil long debt repayments over the medium term.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	457.54	468.25
PAT	Rs. Cr.	7.60	8.76
PAT Margin	(%)	1.66	1.87
Total Debt/Tangible Net Worth	Times	0.28	0.30
PBDIT/Interest	Times	8.05	7.28

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jul 2021	Cash Credit	Long Term	28.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB+ Stable (Assigned)
	Inventory Funding	Short Term	1.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Inventory Funding	Short Term	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Standby Line of Credit	Long Term	3.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	11.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
05 Mar 2020	Cash Credit	Long Term	22.50	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Inventory Funding	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A4+)
	Standby Line of Credit	Long Term	3.00	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Inventory Funding	Short Term	1.00	ACUITE A3+ (Assigned)
17 Feb 2020	Inventory Funding	Short Term	10.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	22.50	ACUITE BB+ (Issuer not co-operating*)
	Standby Line of Credit	Long Term	2.60	ACUITE BB+ (Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB+ (Issuer not co-operating*)
21 Nov 2018	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	22.50	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.60	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.60	ACUITE BBB- Stable (Withdrawn)
01 Sep 2017	Cash Credit	Long Term	17.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.60	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Inventory Funding	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Negative (Reaffirmed)
		Short		

26 Sep 2016	Cash Credit	Term	18.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Inventory Funding	Short Term	7.50	ACUITE A3 (Reaffirmed)
14 Sep 2016	Cash Credit	Long Term	9.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Short Term	18.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Inventory Funding	Short Term	5.00	ACUITE A3 (Reaffirmed)
29 Jun 2015	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Short Term	18.00	ACUITE A3 (Assigned)
	Standby Line of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Inventory Funding	Short Term	5.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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