



Press Release
Oja Automobiles Private Limited
December 29, 2023
Rating Reaffirmed

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

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**'.

Rationale for Reaffirmation

The rating takes into cognizance the steady business risk profile of the company majorly driven by increase in revenue streams. The revenue from operations of the company increased to Rs.530.65 Cr in FY2023 as against Rs.457.54 Cr in FY2022 on account of increase in the unit sold during the period. The rating also factors in the healthy financial risk profile with comfortable capital structure and debt protection metrics. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals, minimal debt repayments and absence of debt funded capex plans. The rating also draws comfort from 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 India Ltd. 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, established in 2005, operates from Guwahati in Assam and holds authorized dealership for Hyundai Motor India Limited and JCB India Ltd. Founded by Mr. Rajdeep Oja and Mr. Debaraj Oja, the company possesses five showrooms equipped with 3S facilities in Guwahati and Tezpur for Hyundai Motor India Limited. Additionally, it maintains a sales outlet in Kamrup and a second-hand vehicle showroom in Guwahati. Furthermore, OAPL manages two showrooms for JCB and operates 12 service stations across Assam. Moreover, the company functions as a C&F agent for Hyundai spare parts covering the entire North East India region.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and established track record of operations with

steady scale of operations

The company holds an exclusive dealership for JCB vehicles and maintains a strong presence in Assam, boasting 2 showrooms and 12 service stations strategically located across the region. Moreover, OAPL is an authorized dealer for Hyundai Motors India Limited (HMIL), operating 5 showrooms and a sales outlet in Kamrup, in addition a second-hand vehicle showroom in Guwahati. This established market position also signifies the company's consistent and stable business risk profile.

The scale of operations of the company had witnessed improvement in FY2023 marked by increase in revenue of Rs.530.65 Cr in FY2023 as against Rs.457.54 Cr in FY2022. The top line has been growing at a year on year (y-o-y) of 15.98 per cent. The steady growth in revenue is driven by increase in the unit sold during the period. The company has achieved revenues of Rs. 262.69 Cr till September 2023(Provisional). Going forward, Acuite 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.

• Healthy financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.51.90 Cr as on March 31, 2023 as compared to Rs.46.40 Cr as on March 31, 2022 due to accretion to reserves. The gearing of the company stood below unity at 0.66 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.14 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 4.67 times and debt service coverage ratio (DSCR) of 3.87 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.21 times in FY2023.

Going forward, Acuite believes that going forward the financial risk profile will remain moderate over the medium term, supported by healthy internal accrual generation.

• Efficient working capital management

The working capital of the company is efficient marked by moderate Gross Current Assets (GCA) of 66 days for FY2023 as compared to 56 days for FY2022. The GCA days are mainly on account of minimal receivables days and moderate inventory days. The debtor days of the company stood at 12 days for FY2023 as against 13 days for FY2022. Further, the inventory days of the company stood moderate at 38 days in FY2023 as compared to 30 days in FY2022. Further, the GCA days of the company has also emanates from the high other current asset, which mainly consists of loans and advances and statutory deposits. Against this, the company has gets minimal credit from its suppliers as refelcted from creditor days which stood at 13 days as on March 31, 2023.

Acuite believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

• Decline in profitability margin

The operating margin of the company has decreased to 2.10 per cent in FY2023 as 3.00 per cent in FY2022. The decline in margin is on account of the increase in expenses. The PAT margin also decreased to 1.04 per cent in FY 2023 as compared to 1.66 per cent in FY2022. The ROCE levels stood at about 13.57 per cent in FY2023. Acuite believes the profitability margin of the company will remain at similar levels over the medium term.

• 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

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle

All Covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.6.99 Cr. as on March 31, 2023 as against nil long term debt obligations over the same period. The cash and bank balance stood at Rs. 12.29 Cr for FY 2023. Further, the bank limit of the company has been ~42.66 percent utilized for the last six months ended in November 2023. The current ratio of the company stood comfortable at 1.63 times in FY2023. Moreover, the working capital of the company is efficient marked by moderate Gross Current Assets (GCA) of 66 days for FY2023 as compared to 56 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	530.65	457.54
PAT	Rs. Cr.	5.50	7.60
PAT Margin	(%)	1.04	1.66
Total Debt/Tangible Net Worth	Times	0.66	0.28
PBDIT/Interest	Times	4.67	8.05

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

Not Applicable

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 Entitle: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2022	Inventory Funding	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Inventory Funding	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Standby Line of Credit	Long Term	3.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB+ Stable (Reaffirmed)
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	Standby Line of Credit	Long Term	3.00	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Inventory Funding	Short Term	1.00	ACUITE A3+ (Assigned)
	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+)
17 Feb 2020	Inventory Funding	Short Term	10.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	22.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Long Term	2.60	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.75	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.65	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.10	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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