



Press Release

Omax Autos Limited

June 16, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.24 (decreased from Rs.81.81 crore)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	30.00	--	IVR A4 (IVR A Four)	Assigned	Simple
Total	75.24	Rupees Seventy Five Crore and Twenty Four Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating of IVR BB- with a Stable Outlook and assigned short-term rating of IVR A4 for the bank loan facilities of Omax Autos Limited (Omax).

The rating continues to draw comfort from its experienced promoters, Omax's healthy market share with Tata Motors Limited (TML) and improvement in scale of operations. However, these strengths are partially offset by deterioration in operating margins, average financial risk profile and high customer concentration risk.

IVR has principally relied on the standalone audited financial results Omax Autos Limited (Omax) upto 31 March 2023 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis.
- Prudent working capital management with improvement in liquidity position.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the operating margin debt protection metrics on a sustained basis.
- Moderation in the capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

The promoters, Mr. Jatender Kumar Mehta (Vice Chairman) and Bharat Kaushal (Chairman) has a vast experience of around three decades in the field of Automobile and its components Industry. Further, Mr. Devashish Mehta (Managing Director) has rich experience of around a decade. Extensive experience of the promoters underpins the business risk profile of the company and supports it to develop established relationship with its customers which enabled the company to receive repeat orders.

Omax's healthy market share with TML

Omax has healthy market share with Tata Motors Limited (TML), both in long-member manufacturing and frame assembly for medium and heavy trucks, and buses, as well as for frame assembly of intermediate CV running on compressed natural gas. Further, TML is major customer of Omax.

Improvement in scale of operations



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The total operating income of the company has witnessed growth of ~24.00% during FY23. TOI improved to Rs. 300.78 crore in FY23 from Rs. 222.20 crore in FY22 driven by commencement of production at Long Member Plant.

Key Rating Weaknesses

Deterioration in operating margins

The profitability of company in terms of absolute EBITDA has improved at Rs. 13.83 crore in FY23 as against Rs. (-25.12) crore in FY22. However, the company has reported loss i.e Rs. (-24.33) crore (-7.71%) in FY23 as against Rs. 23.46 crore (9.25%) in FY22. During FY22, the company has reported profit majorly on account of gain from sale of properties. Furthermore, the company has reported cash loss of Rs. (-1.13) crore during FY23.

Average financial risk profile

Omax has moderate capital structure as indicated by tangible net worth base of Rs. 277.53 crore as on March 31, 2023, as against Rs. 295.82 crore as on March 31, 2022; this decline is on account of loss reported during FY23. The overall gearing ratio improved at 0.45x in FY22 from 0.51x in FY22. This improvement is on account of debt reduction in FY23. The debt protection metrics of the company remained stretched with interest coverage ratio below average in FY23.

High customer concentration risk

The company's revenue from its major customers' accounts for ~95.00%, thereby indicating very high customer concentration risk. If the company loses any of its top customers, then performance of the company might be impacted over the medium term. However, the risk can be mitigated as major clients are government bodies and reputed Tata group.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity –Stretched

The company's liquidity stood stretched with low gross cash accruals of Rs.4.30 crore in FY23 against its debt repayment of Rs. 45.06 crore. However, the company's cashflows are supported by promoters fund and by asset sale proceeds. Further, debt obligations repayments are being done through the same. The company has a current ratio of 0.76x as of March 31, 2023, which stands below benchmark. The company had cash and bank balance of Rs.30.03 crore as on March 31, 2023.

About the Company

Omax Autos Limited's (Omax) was established in 1983. The company is into the business of manufacturing and selling sheet metal components related to automobile and Railways, having its manufacturing units in the state of Uttar Pradesh and Haryana. The company is a publicly listed company. Omax caters to Tata Motors Limited for its CV segment and is also an approved supplier to Indian Railways.

Financials (Standalone):

For the year ended*	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	222.20	300.78
EBITDA	-25.12	13.83
PAT	23.46	-24.33
Total Debt	152.35	124.41
Tangible Net worth	295.82	277.53
EBITDA Margin (%)	-11.30	4.60
PAT Margin (%)	9.25	-7.71
Overall Gearing Ratio (x)	0.51	0.45

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Feb 10, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	34.33 (decrease from Rs.43.83 crore)	IVR BB-/ Stable	IVR BB-/ Stable	-	-
2.	ECLGS	Long Term	10.91 (decrease from Rs.14.78 crore)	IVR BB-/ Stable	IVR BB-/ Stable	-	-
3.	PO Finance	Short Term	10.00	IVR A4	-	-	-
4.	Bank Guarantee	Short Term	20.00	IVR A4	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	-	34.33	IVR BB-/ Stable
Long Term Bank Facilities – ECLGS	-	-	-	10.91	IVR BB-/ Stable
Short Term Bank Facilities- PO Finance	-	-	-	10.00	IVR A4
Short Term Bank Facilities- Bank Guarantee	-	-	-	20.00	IVR A4



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Omax-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).