

## Press Release

### Ocean Motors Private Limited

August 18, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 86.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 86.00 crore bank facilities of Ocean Motors Private Limited. The outlook is '**Stable**'.

Ocean Motors Private Limited (OMPL) (erstwhile Patel Service Centre), A Indore based company was established in 2002 as a proprietorship firm which was later incorporated as a private limited company in 2011. The company started as a Maruti Authorized Service Station and in 2011 became the dealer of Maruti Suzuki India Limited (MSIL). The company is promoted by Mr. Mahendra Patel (Managing Director) and Mr. Ravi Nagar (Director).

### Key Rating Drivers

#### Strengths

- **Experienced management**

The company is promoted by Mr. Mahendra Patel (Managing Director) and Mr. Ravi Nagar (Director) having over two decades of experience in the automobile industry. This has helped the company to develop healthy relationship with its customers. Acuité believes OMPL will sustain its existing business risk profile on the back of experienced management.

- **Association with Maruti Suzuki India Limited (MSIL)**

The company is an authorized dealer for passenger vehicle segment of Maruti Suzuki India Limited (MSIL). The company benefits from its association with Maruti Suzuki India Limited since 2002 which is market leader in the India passenger vehicle segment with around 50.10 percent market share during FY2018 as against 47.40 percent in the previous year. The growth was supported by strong demand for premium hatchbacks Baleno and Dzire alongwith the company's aggressive marketing strategy.

- **Efficiently managed working capital operations**

OMPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) days of 51 days in FY2017 as against 54 in FY2016. This is mainly on account of debtors of 10 days in FY2017 as against 7 days in FY2016. The inventory stood at 31 days in FY2017 and FY2016. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Moderate scale of operations and profitability**

OMPL has moderate scale of operations marked by revenues of Rs. 246.56 crore in FY2017 as compared to Rs. 215.25 crore in FY2016. Further, the company has reported revenues of Rs. 271.33 crore in FY2018 (Provisional). The increase in revenues is mainly due to increased supply and demand in the market. EBITDA margin stood at 2.57 per cent in FY2017 as against 2.88 per cent in FY2016. PAT margins improved to 0.26 per cent in FY2017 from 0.12 per cent in FY2016. This is mainly due to reduced interest cost in FY2017.

#### Weaknesses

- **Average Financial risk profile**

OMPL's financial risk profile is average marked by networth of Rs. 8.09 crore as on 31 March 2017 as

against Rs. 4.99 crore as on 31 March 2016. The gearing (debt-to-equity ratio) stood at 3.50 times as on 31 March 2017 as against 6.81 times as on 31 March 2016. This is mainly due to improved profitability resulting in increased networth. The total debt of Rs. 28.34 crore as on 31 March 2017 mainly comprises of Rs.21.34 crore of working capital borrowings and Rs. 7.00 crore of term loans. The company has moderate interest coverage ratio (ICR) of 1.76 times for FY2017 as against 1.51times for FY2016. The net cash accruals stood at Rs. 2.60 crore in FY2017as against Rs. 2.07 crore in FY2016.

**• Exposure to intense competition**

The company faces intense competition from other dealers of MSIL and established players in this segment such as Tata Motors, Hyundai, Mahindra and Mahindra, Ford and Honda among others operating in Madhya Pradesh.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of OMPL to arrive at the rating.

**Outlook: Stable**

Acuité believes that OMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and its established association with MSIL. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while maintaining profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	246.56	215.25	145.45
EBITDA	Rs. Cr.	6.34	6.20	4.88
PAT	Rs. Cr.	0.63	0.26	0.23
EBITDA Margin	(%)	2.57	2.88	3.36
PAT Margin	(%)	0.26	0.12	0.15
ROCE	(%)	11.92	13.87	25.27
Total Debt/Tangible Net Worth	Times	3.50	6.81	4.50
PBDIT/Interest	Times	1.76	1.51	1.64
Total Debt/PBDIT	Times	4.41	5.39	4.30
Gross Current Assets (Days)	Days	51	54	50

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Not Applicable

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ / Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	9.20	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.39	ACUITE BB+ / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	2.49	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.37	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+

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### About Acuité Ratings & Research:

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