



Press Release
Ocean Motors Private Limited
October 05, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	62.50	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	3.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	81.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs.66.00 crore bank facilities of Ocean Motors Private Limited (OMPL).

Acuite has also assigned the long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) on the Rs.15.00 crore bank facilities of Ocean Motors Private Limited (OMPL).

The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation is on account of improvement in the overall scale of operations along with the working capital efficient operations of the company. The revenue of the company improved to Rs.438.17 Cr in FY2023 (Prov) as against Rs.302.99 Cr in FY2022. The growth in the operating income is mainly driven by increase in demand of passenger vehicle and also the addition of new showroom by the company. The rating also takes into account the long association with MSIL. Further, the company is targeting revenue of Rs.500 Cr for FY2024. However, the rating remains constrained due to deterioration in profitability margins, average financial risk profile, stretched liquidity and competitive nature of industry with limited bargaining power.

About the Company

Ocean Motors Private Limited (Erstwhile Patel Service Center) is an Indore-Madhya Pradesh based company was established in the year 2002 as a proprietorship firm which was later reconstituted as a private limited company in the year 2011. The company was initially engaged as a Maruti Authorized Service Station and later in the year 2011 the company became the dealer of Maruti Suzuki India Limited (MSIL). The company is promoted by Mr. Mahendra Patel and Mr. Ravi Nagar. The company has all total 12 showrooms which include 10 showrooms of Maruti Suzuki and 2 showrooms of Nexa. All the showrooms are located in Madhya Pradesh.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of OMPL to arrive at this rating.

Strengths

Extensive management experience and long track record of operations:

OMPL (Erstwhile Patel Service Center) was established in the year 2002 as a proprietorship firm and was engaged as a Maruti Authorized Service Station. Later in the year 2011, it became the dealer for passenger vehicle segment of Maruti Suzuki India Limited (MSIL). The company has an established track record of operation of two decades in the automobile industry. The company benefits from its association with MSIL (market share of MSIL is ~43% in the Indian Automobile Industry) and also due to the company's aggressive marketing strategy. Further, the promoters - Mr. Mahendra Patel and Mr. Ravi Nagar have been associated with the aforementioned industry for more than two decades.

Acuité believes that the company will benefit from experienced management and association with MSIL.

Efficient working capital management:

The working capital management of the firm is efficient marked by GCA days of 30 days in FY2023 (Prov) as against 36 days in FY2022. The inventory days stood at 20 days in FY2023 (Prov) as against 18 days in FY2022. Generally, the company follows an inventory holding period of 45-60 days. The debtor days stood at 07 days in FY2023 (Prov) as against 12 days in FY2022. The average credit period allowed to customers on the service side is 15-30 days. On the sale side, the average credit period allowed is 08 days. The Creditor days stood at 03 days in FY2023 (Prov) as against 04 days in FY2022. The average credit period allowed by suppliers on the service side is around 30 days. On the sale side, it generally deals in advance. Acuite believes that the ability of the company to maintain its working capital operations will remain a key rating sensitivity in medium term.

Weaknesses

Deterioration in the profitability

The company has low profitability margins. The operating profit margin of the company declined and stood at 2.07 percent in FY23 (Prov) as compared against 2.37 percent in FY22. The reason of decline is due to the increase in the raw material cost. The PAT margin of the company stood at 0.38 percent in FY23 (Prov) as compared to 0.46 percent in FY22. Albeit the decline in margins, the operating income of the company recorded an improvement.

The revenue of the company stood at Rs.438.17 crore in FY23 (Prov) (Rs.409.72 Cr from trading and Rs.28.45 Cr from old car sales)) as compared to revenue of Rs.302.99 crore in FY22. The company has already achieved 198.41 Cr till August 2023 (Rs.182.85 Cr from trading and Rs.15.56 Cr from old car sales) and has target of around Rs.500 Cr for FY2024. The improvement in the revenues is due to the addition of new showroom/workshops in MP.

Acuite believes, the revenue growth is expected to improve in the medium term.

Average Financial Risk Profile

The financial risk profile of the company stood average, marked by average net worth, moderate gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.24.47 crore as on 31 March 2023 (Prov) as against Rs.22.60 crore as on 31 March, 2022. The total debt of the company stood at Rs.48.13 crore which includes short-term debt of Rs.20.46 crore, long-term debt of Rs.9.88 crore, unsecured loans of Rs.12.65 crore and CPLTD of Rs.5.13 crore as on 31 March, 2023 (Prov). The gearing (debt-equity) of the company stood at 1.97 times as on 31 March 2023 (Prov) as compared to 1.80 times as on 31 March, 2022. Interest Coverage Ratio of the company stood at 2.15 times for FY2023 (Prov) as against 2.49 times for FY2022. Debt Service Coverage Ratio (DSCR) of the company stood at 1.00 times in FY2023 (Prov) as against 1.12 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) of the company stood at 2.54 times as on 31 March, 2023 (Prov) as against 2.26 times as on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) of the company stood at 0.09 times for FY2023 (Prov) as against 0.10 times for FY2022.

Acuite believes that the financial risk profile of the company is likely to be a key rating sensitive on account of debt funded capex.

Exposure to risks related to low bargaining power with principal and to intense competition in passenger vehicle segment:

OMPL is a Madhya Pradesh-based dealer for MSIL's passenger vehicles. It faces intense

competition from other MSIL dealers and has limited bargaining power with its principal. Furthermore, OMPL also faces competition from dealers of other OEM's like Tata motors, Toyota, Mahindra, VW, Skoda, Nissan and Honda.

Rating Sensitivities

- Substantial improvement in the scale of operation, while maintaining profitability margin.
- Stretch in the working capital cycle resulting into increased reliance on working capital borrowings.
- Any further, debt funded capital expenditure that adversely impacts the financial risk profile.

All Covenants

Not Available

Liquidity Position

Stretched

The company's liquidity position is stretched, marked by modest net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.4.02-4.51 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.3.27-4.54 crore in the same tenure. In addition, it is expected to generate cash accrual in the range of Rs.5.25-6.33 crore against the maturing repayment obligations of Rs.3.57-5.43 crore over the medium term. Further, the repayment is met by unsecured loans. The working capital management of the company is efficient marked by GCA days of 30 days in FY2023 (Prov) as against 36 days in FY2022. The average utilization of the fund-based limits stood at ~50-60% per cent for past 07 months ended June 2023. The average utilization of the non-fund-based limits stood at ~80-90% per cent for past 07 months ended June 2023. The company maintains unencumbered cash and bank balances of Rs.1.00 crore as on March 31, 2023 (Prov) as against Rs.3.71 crore as on March 31, 2022. The current ratio of the company stands at 0.94 times as on March 31, 2023 (Prov) as against 1.12 times as on 31 March, 2022.

Acuite believes that the Liquidity is expected to be adequate on account of sufficient net cash accruals against debt repayment obligations.

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and efficient working management. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while maintaining its operating margins and its financial risk profile. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues and profitability or deterioration in the company's financial risk profile or significant elongation in the working cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	438.17	302.99
PAT	Rs. Cr.	1.68	1.40
PAT Margin	(%)	0.38	0.46
Total Debt/Tangible Net Worth	Times	1.97	1.80
PBDIT/Interest	Times	2.15	2.49

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

CRISIL vide its press release dated 18th July 2023, had rated the company to CRISIL B+/Stable; issuer Not Cooperating

Brickworks vide its press release dated 5th May 2023, had downgraded the company to BWR B/Stable/A4; issuer Not Cooperating

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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

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
03 Jul 2023	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	22.85	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.98	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed long term bank facility	Long Term	18.57	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	6.10	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
26 Apr 2022	Term Loan	Long Term	22.85	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Long Term	6.10	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	18.57	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.98	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A3 (Reaffirmed)
09 Feb 2021	Inventory Funding	Long Term	3.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	10.00	ACUITE BBB- (Withdrawn)
	Inventory Funding	Long Term	12.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	7.90	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Working Capital Term Loan	Long Term	1.27	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	0.32	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Inventory Funding	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Channel Financing	Long Term	7.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Bank Guarantee	Short Term	3.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	10.00	ACUITE BBB- (Withdrawn)
		Long		ACUITE BBB- Stable (Upgraded from

	Inventory Funding	Term	10.00	ACUITE BB)
	Channel Financing	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	0.43	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	1.58	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A3 (Upgraded from ACUITE A4+)
05 Jan 2021	Working Capital Term Loan	Long Term	2.49	ACUITE BB (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	6.37	ACUITE BB (Downgraded and Issuer not co-operating*)
	Channel Financing	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	1.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	9.20	ACUITE BB (Downgraded and Issuer not co-operating*)
	Channel Financing	Short Term	7.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	2.05	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.39	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Inventory Funding	Long Term	3.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Inventory Funding	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
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A4+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BB+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	6.10	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Assigned
Kotak Mahindra Prime Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.84	ACUITE BB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.56	ACUITE BB+ 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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