



RATING RATIONALE

05 Dec 2019

Ocean Motors Private Limited

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 78.09 Crores of Ocean Motors Private Limited.

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating*
Fund based			
Fund Based	74.59	Long Term	BWR BB+ (Stable)
Non Fund Based			
Non Fund Based	3.50	Short Term	BWR A4+
Total	78.09	Rupees Seventy Eight Crores and Nine lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Ocean Motors Private Limited (OMPL or “The Company”) has been assigned the rating on account of promoters experience in the auto industry, exclusive dealership with Maruti Suzuki India Limited (MSIL), working capital efficiency and established market presence in Indore region

The rating are, however, constrained by, thin profitability margins, below average financial risk profile marked by high leverage and modest coverage indicators, and changing market dynamics with intense competition from other automobile brands.

Outlook: Stable

The outlook is expected to be stable on account of its experienced management, exclusive dealership rights with MSIL and strong market presence providing revenue visibility over medium term.

KEY RATING DRIVERS

Credit Strengths:

Experience of the promoters: Ocean Motors Private Limited (OMPL) was incorporated on 7th April 2011 and are in the retail business of automobiles. OMPL has a registered office in Indore, Madhya Pradesh and have 11 branch Offices in Madhya Pradesh. OMPL is promoted by Mr. Mahendra Patel & Mr. Ravi Nagar and they have around 2 decades of experience in this industry. Their expertise helps to maintain a healthy relations with customers and suppliers to continue to support their business.

Exclusive dealership rights & scale of operations: The company has an exclusive dealership rights for passenger vehicle segment of Maruti Suzuki India Limited (MSIL). MSIL is a market leader in the India passenger vehicle segment with around 53 percent market share in FY19. The strong demand for



their models like Vitara, Ertiga and S-Presso has helped to scale OMPL operations in FY19. In FY19, the company is operating at a relatively moderate scale of operations and operating income was recorded at Rs. 301.94 Crs.

Healthy working capital operations: The company has efficiently managed its working capital cycle as reflected in Gross Cash Accrual (GCA) days of 34 days in FY19. The company is able to maintain low GCA days mainly on account of better inventory management and better churning of inventory at 25 days in FY19

Credit Risks:

Modest financial profile: The company financial profile is below average characterised by thin operating margin and net margin at 2.50% and 0.32% respectively in FY19. The company has recorded high gearing of 2.91 times as on March 31, 2019 and relatively modest coverage indicators with an interest coverage ratio of 1.84 times and DSCR of 1.27 times on FY19.

Exposure to intense competition: The company faces intense competition from other automobile brands in Madhya Pradesh. Change in demand dynamics and buying preferences has resulted in downward pressure on volumes for overall automobile industry.

Regulatory frameworks: Any adverse changes in government policy or regulations in the automobile industry can impact the operations of the company. The demand for passenger vehicles is expected to remain muted over the next few quarters on back of mandatory roll-out of BS-VI compliant vehicles from April 2020.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone business and performance of OMPL. BWR has applied its rating methodology as detailed in the Rating Criteria (*hyperlinks provided at the end of this rationale*).

RATING SENSITIVITIES

Going forward, the company's ability to improve the profitability along with increasing scale of operations and improvement in the financial profile of the company, Infusion of funds from promoters would be the key rating sensitivities.

Positive: Significant growth in revenue and profitability backed by a favourable demand prospects and sustained improvement in capital structure will be positive for the rating.

Negative: Lower than expected growth in revenues and profitability coupled with increase the working-capital requirements of the company adversely impacting the liquidity position will be negative for the rating.

LIQUIDITY POSITION: ADEQUATE

The company has maintained adequate liquidity position as evident from cash/cash equivalents of Rs. 3.36 Crs as on March 31, 2019. Net Cash accrual of Rs. 3.48 Crs against the debt obligations of Rs. 3.06 Crs in FY19 and is expected to be sufficient over the medium term. Efficient managed working capital cycle while maintaining low GCA days. The average cash credit utilization is around 60%



COMPANY PROFILE

Ocean Motors Private Limited (OMPL) was established in 2002 as a proprietorship firm and was later incorporated as a private limited company in April 2011. The company is Indore based and is engaged in retail business of automobiles. The company is engaged in dealership of Maruti Suzuki India Limited passenger cars in Indore. The company is promoted by Mr. Mahendra Patel and Mr. Ravi Nagar.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs. Crs	295.78	301.94
OPBDIT	Rs. Crs	6.73	7.54
PAT	Rs. Crs	0.95	0.96
Tangible Net Worth	Rs. Crs	10.94	15.51
Total Debt/TNW	Times	2.39	2.91
Current Ratio	Times	0.84	0.90

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY:

Acuite vide press release dated 10 Oct 2019 has informed that Acuite has reviewed the rating on the basis of the best available information and migrated it to ISSUER NOT COOPERATING.

RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (Rs. Crs)	Rating	2018	2017	2016
Fund Based	Long Term	74.59	BWR BB+ (Stable)	NA	NA	NA
Non Fund Based	Short Term	3.50	BWR A4+			
Total		78.09	Rupees Seventy Eight Crores and Nine Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

Analytical Contacts	Investor and Media Relations
<p>Noman Agashwala Associate Director - Ratings B :+ 91 022-67456630 noman.a@brickworkratings.com</p> <p>Netra Rathod Ratings Analyst B :+91 22 6745 6609 netra.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications M: +91 84339 94686 liena.t@brickworkratings.com</p>

ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Crs)
1.	State Bank of India	Inventory Funding	13.00	-	13.00
2.	Kotak Mahindra Prime	Term Loan	10.59	-	22.59
		Inventory Funding	12.00	-	
3.	Kotak Mahindra Bank	Cash Credit	8.00	-	16.50
		Working Capital	5.00	-	
		Bank Guarantee	-	3.50	
4.	IndusInd Bank	Inventory Funding	12.00	-	12.00
5.	HDFC Bank	Inventory Funding	4.00	-	4.00
6.	ICICI Bank Limited	Inventory Funding	10.00	-	10.00
TOTAL					78.09

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.



About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.