

OMAX/STEX/2020-21/27**Date: 5th January, 2021**

The Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza1
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400051

The Manager - Listing
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

NSE Code: OMAXAUTO**BSE Code: 520021**

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In terms of the provisions of Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that Credit Rating Agency 'India Ratings and Research' (Ind-Ra), has revised the Long-Term issuer rating from 'IND BBB+' to 'IND BBB-'. The agency has simultaneously migrated the rating to the non-cooperating category. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based working capital limits	-	-	-	INR850	IND BBB-(ISSUER NOT COOPERATING)/IND A3(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category
Non-fund-based working capital limits	-	-	-	INR350	IND A3(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category
Term loans	-	-	FY27	INR1,553.3	IND BBB-(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category

This is for your information and further dissemination please.

Though the rating was revised on 11th December, 2020, due to certain miss-communication, the same could not be communicated to the exchanges earlier. The delay may please be condoned.

For Omax Autos Limited

Sanjeeb Kumar Subudhi
(Company Secretary cum Compliance Officer)

India Ratings Downgrades and Migrates Omax Autos to Non-Cooperating Category

Ind-Ra-New Delhi- xx December 2020: India Ratings and Research (Ind-Ra) has downgraded Omax Autos Limited's (Omax) Long-Term Issuer Rating to 'IND BBB-' from 'IND BBB+'. The agency has simultaneously migrated the rating to the non-cooperating category. The issuer did not participate in the surveillance exercise despite continuous requests and follow-ups by the agency. Thus, the rating is based on the best-available information. Therefore, investors and other users are advised to take appropriate caution while using these ratings. The rating will now appear as 'IND BBB-(ISSUER NOT COOPERATING)' on the agency's website. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based working capital limits	-	-	-	INR850	IND BBB-(ISSUER NOT COOPERATING)/IND A3(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category
Non-fund-based working capital limits	-	-	-	INR350	IND A3(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category
Term loans	-	-	FY27	INR1,553.3	IND BBB-(ISSUER NOT COOPERATING)	Downgraded; Migrated to non-cooperating category

The company did not participate in the surveillance exercise, despite repeated requests by the agency, and has not provided information about sanctioned bank facilities, cash flow management, utilisation of working capital, business plan, updated status of projects under construction, asset monetisation plans and projections for the next three years.

The two-notch downgrade reflects the company's continued weak operational performance in FY20 and 1HFY21, according to the information available in the public domain, as well as a delay in the commissioning of its under-construction facilities. Both these reasons, the agency believes, could lead to the company breaching Ind-Ra's negative trigger on net leverage, by exceeding 3.5x in FY21.

KEY RATING DRIVERS

Weak Operational Performance in FY20 and 1HFY21: Omax's revenue declined by 53% yoy to INR4,667 million in FY20 (FY19: INR9,916 million) due to the company's shutting down of its two-wheeler (2W) business and a slowdown in the commercial vehicle (CV) segment; the revenues from the CV segment declined to INR1,710 million (INR3,930 million) on the back of the CV industry witnessing a 29% yoy decline in its domestic sales. Resultantly, the company's EBITDA almost halved to INR207 million in FY20 (FY19: INR484 million; adjusting for INR83 million one-time retrenchment costs) and the EBITDA margin contracted to 4.4% (adjusting for one-time employee terminal benefit costs; 4.9%). The impact of increased contribution of high-margin sales to Indian Railways was offset by the company's lower absorption of fixed costs. The company's revenue further plummeted to INR743 million in 1HFY21 (1HFY20: INR2,740 million) owing to the COVID-19 led operational lockdown and the planned closure of the company's passenger vehicles facilities in 2QFY21. The decline in revenue resulted in Omax's EBITDA turning negative to INR112 million in 1HFY21 (1HFY20: INR185 million).

Ind-Ra believes Omax will require proceeds from asset monetisation and Pradeshiya Industrial & Investment Corporation of U.P. Ltd. (PICUP) loans to finance the negative cash flow from operations (1HFY21: negative INR131 million), and term repayments due in FY22 of around INR330 million. Ind-Ra, however, draws some comfort from the support received

in the form of loans from group companies of INR20 million in 1HFY21 and INR28.5 million in 2HFY20 and Omax's asset monetisation plans.

Delays in Commissioning of Facilities: As on 7 December 2020, the company's two facilities under the CV and railways segments were under construction. The CV unit will manufacture long members, catering to Tata Motors Limited's entire requirement in Lucknow (Uttar Pradesh). The facility was initially expected to commence operations in January 2020 and the railway unit in April 2020. Based on public information, the completion of the projects has been delayed to 3QFY21-1QFY22, owing to the COVID-19 led operational disruption. The total cost of the capex is estimated by the agency to be around INR2,350 million, to be funded by a tied-up debt of INR1,450 million and the rest via asset monetisation, internal accruals and interest-free loans from PICUP. Any further delays in the commissioning the projects will have an adverse impact on Omax's liquidity position. Although the commissioning of the projects is expected to improve the company's margin profile, Ind-Ra believes a meaningful contribution from the new facilities will only come FY22 onwards.

Deterioration in Credit Metrics: Omax's weak credit metrics deteriorated in FY20 due to the significant reduction in EBITDA levels and increased debt on account of higher working capital requirements and increased debt for projects under construction. The net leverage (net debt/adjusted EBITDA) deteriorated to 10.6x in FY20 (FY19: 4x) and adjusted cash interest coverage (adjusted EBITDA/cash interest cost, net of implicit interest cost on PICUP loans) declined to 2.5x (3.9x).

RATING CRITERIA

'Corporate Rating Methodology', dated 20 April 2020 is available at www.indiaratings.co.in.

'Short-Term Ratings Criteria for Non-Financial Corporates, dated 20 April 2020, is available at www.indiaratings.co.in.

COMPANY PROFILE

Founded in 1983, Omax, a publicly-listed company, where promoters own 56.8% stake, manufactures a variety of auto parts for the CV and passenger vehicles segments. It also makes end walls, under frame, front part, and bio-digester retention tank for railways. Omax exited the 2W segment in 4QFY19. It has three manufacturing plants, located in Bawal (Haryana), Lucknow (Uttar Pradesh), and Pant Nagar (Uttarakhand), and another two plants at Binola (Haryana) and Bengaluru (Karnataka) are being shut down due to commercial non-viability. It is setting up two more plants in Lucknow-Raebareli area to expand its CV and railways segment.

FINANCIAL SUMMARY

Particulars	FY20	FY19
Revenue (INR million)	4,667	9,916
EBITDA (INR million; adjusted for retrenchment cost in FY19)	207	484
Adjusted EBITDA margin (%)	4.4	4.9
Adjusted cash interest coverage (x)	2.5	3.9
Adjusted net leverage (x)	10.6	4.0
Source: Omax		

RATING HISTORY

Instrument Type	Current Rating			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	13 September 2019	20 August 2018	28 June 2017
Issuer rating	Long-term	-	IND BBB- (ISSUER NOT COOPERATING)	IND BBB+/Stable	IND A-/Stable	IND A-/Negative
Fund-based working capital limits	Long-term / Short-term	INR850	IND BBB- (ISSUER NOT COOPERATING)/ IND A3 (ISSUER NOT COOPERATING)	IND BBB+/Stable/IND A2+	IND A-/Stable/IND A1	IND A-/Negative/IND A1
Non-fund-based working capital limits	Short-term	INR350	IND A3 (ISSUER NOT COOPERATING)	IND A2+	IND A1	IND A1
Term loans	Long term	INR1,553.3	IND BBB- (ISSUER NOT COOPERATING)	IND BBB+/Stable	IND A-/Stable	IND A-/Negative

COMPLEXITY LEVEL OF THE INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact:

Primary Analyst

Tejkaran Singh

Senior Analyst

India Ratings & Research Pvt Ltd

DLF Epitome, Level 16, Building No. 5, Tower B

DLF Cyber City, Gurgaon

Haryana 122002

Secondary Analyst

Pallavi Bhatti

Senior Analyst

+91 12 46687256

Committee Chairperson

Rohit Sadaka

Director

+91 33 4030 2503

Media Relations: Ankur Dahiya, Mumbai, Tel: +91 22 4035 6121, Email: ankur.dahiya@indiaratings.co.in

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

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