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OMAX

OMAX AUTOS LIMITED

OMAX/STEX/2022-23/CRA/1

Date: 22nd July, 2022

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 D to IND B**. 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	-	-	-	INR 153 (Reduced from INR850)	IND B/STABLE/IND A4	Upgraded
Non-fund-based working capital limits	-	-	-	INR 270 (Reduced from INR350)	IND B/STABLE/IND A4	Upgraded; Long term rating assigned
Term loans	-	-	FY27	INR 543 (Reduced from INR1,553.3)	IND B/STABLE	Upgraded

This is for your information and further dissemination please.

Note 1: Complete data as per subject matter may be analyzed vide link: https://www.indiaratings.co.in/pressrelease/59012

For Omax Autos Limited

AUTOS LIMITED

Mohit Srivastava
(Company Secretary cum Compliance Officer)

Enclosed: Omax Autos Limited - Rating Action Commentary (RAC) India rating

India Ratings Upgrades Omax Autos to 'IND B'; Outlook Stable

Jul 21, 2022 | Auto & Ancillaries

India Ratings and Research (Ind-Ra) has upgraded Omax Autos Limited's (Omax) Long-Term Issuer Rating to 'IND B' from 'IND D(ISSUER NOT COOPERATING)'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based working capital limits	-	-	-	INR153 (reduced from INR850)	IND B/Stable/IND A4	Upgraded
Non-fund-based working capital limits	-	-	-	INR270 (reduced from INR350)	IND B/Stable/IND A4	Upgraded; Long-term rating assigned
Term loans	-	-	FY27	INR543 (reduced from INR1,553.3)	IND B/Stable	Upgraded

The upgrade reflects Omax's regularisation of payments on its interest-free loans from Pradeshiya Industrial & Investment Corporation of U.P. Ltd. (PICUP) on 28 January 2022 from asset sale proceeds. The upgrade also factors in Ind-Ra's expectation of the company's revenue and profitability to increase in FY23, as well as the planned asset sale and available working capital bank limits to be sufficient to meet its cash flow requirements, including debt repayments.

Key Rating Drivers

Liquidity Indicator – Poor: Omax's average maximum utilisation of the fund-based limits against the drawing power was 50% for the 12 months ended June 2022. The utilisation has remained moderate as the company benefits from a short receivable cycle of its key customer, Tata Motors Limited (TML). The company's cash flow from operations increased to INR134 million in FY22 (FY21: INR98 million) owing to a reduction in the operating loss to INR251 million (INR417 million), as well as shortening of the working capital cycle. The company's working capital cycle reduced to 4 days in FY22 (FY21: 63 days) due to decline in the receivable period to 32 days (74 days) and inventory holding period to 41 days (55 days), and an increase in the payable period to 69 days (66 days). With lower operating losses and completion of project capex (FY22: INR147 million, FY21: INR669 million), the free cash flow also improved, although remained negative at INR13 million in FY22 (FY21: negative INR697 million). However, the cash flows were supported by asset sale proceeds of INR961 million from Manesar and Dharuhera properties and sale of few machineries in FY22.

The company had an unencumbered cash balance of INR171 million at FYE22 (FYE21: INR182 million), which along with encumbered fixed deposits, was used to repay debt of INR253 million in 1QFY23. Omax has scheduled long-term loan repayments (excluding PICUP loans) of INR187 million and INR181 million in FY23 and in FY24, respectively, likely to be funded via a mix of internal accruals and asset sales. It also had PICUP repayments of INR116 million due in May 2022, which was prepaid from proceeds from asset sale during FY22. The company expects to receive INR300 million-350 million of proceeds through sale of land and machineries in FY23. The timely sale of these assets and receipt of proceeds will remain a key monitorable for the agency. Ind-Ra will also continue to monitor Omax's ability to service its debt in a timely manner.

The ratings also factor in Omax's continued medium scale of operations. The revenue grew to INR2,222 million in FY22 (FY21: INR1,615 million) due to an increase in demand for commercial vehicles (CV; 74% of FY22 revenue), although sales to the railway segment have been muted due to lower tenders floated in the last two years and a deferred order execution by the company due to the increase in raw material prices. The agency expects the revenue to increase to INR3,100 million-3,400 million in FY23 with the further increase in CV demand, the company's healthy share of business from TML and execution of INR825 million worth of orders from Indian Railways. The company is also focusing on garnering orders from margin-accretive sales of metro railway coaches.

As per management, the CV business is profitable at the operating level, however, the EBITDA margin remained negative in FY22 due to the operating losses in the railway segment on account of weak operating leverage, as well as certain one-off and reversible expenses. With the increase in scale of CV business in FY23, the operating leverage will improve. Furthermore, new orders in the railways segment are likely to turn profitable at the operating level in 2HFY23. Omax has also undertaken cost-saving measures, thus, management expects the EBITDA margin to increase to 9.6% in FY23. However, the agency expects the improvement in EBITDA to be gradual and EBITDA margins to be at low-to-mid single digit in FY23. The increase in scale and turnaround in profitability are key monitorables for the agency.

The ratings also factor in Omax's continued modest credit metrics owing to the EBITDA losses. The gross debt declined to INR1,390 million at 1QFYE23 (FYE22: INR1,592 million, FYE21: INR2,393 million) mainly on account of the asset sales used for debt reduction, as well as lower sales to the railways segment reducing requirement for working capital debt. The agency expects the credit metrics to improve in FY23 as EBITDA turns positive. The cash interest coverage (operating EBITDA/cash interest expense on bank loans) is likely to improve to around 1.0x in FY23. The net leverage (net debt including PICUP loans/EBITDA) is also likely to decrease yoy, although will remain elevated.

The ratings, however, continue to be supported by Omax's healthy market share with 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.

Rating Sensitivities

Positive: An increase in the EBITDA, leading to an improvement in the liquidity position and the cash interest coverage ratio increasing above 1.0x, will lead to a positive rating action.

Negative: Failure to scale up EBITDA leading to a continued stress on the liquidity will be negative for the ratings.

Company Profile

Founded in 1983, manufactures sheet metal components, tubular components and machined components.
Omax caters to TML for its CV segment and is also an approved supplier to Indian Railways. It is a publicly listed company, wherein the founders own a 57.67% stake as of FYE22.

FINANCIAL SUMMARY

Particulars	FY22	FY21
Revenue (INR million)	2,222	1,615
EBITDA (INR million)	-251	-417
EBITDA margin (%)	-11.3	-25.8
Gross interest coverage	n.m.	n.m.
Net leverage (x)	n.m.	n.m.
Source: Omax, Ind-Ra		

Solicitation Disclosures

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.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook		
				30 September 2021	22 February 2021	11 Decer 2020
Issuer rating	Long-term	-	IND B/Stable	IND D(ISSUER NOT COOPERATING)	IND BB(ISSUER NOT COOPERATING)	IND BBB- (I NOT COOPERA
Fund-based working capital limit	Long-term/Short-term	INR153	IND B/Stable/IND A4	IND D(ISSUER NOT COOPERATING	IND BB(ISSUER NOT COOPERATING)/IND A4+(ISSUER NOT COOPERATING)	IND BBB- (I NOT COOPERATI A3(ISSUEI COOPERA
Non-fund-based working capital limit	Short-term	INR270	IND B/Stable/IND A4	IND D(ISSUER NOT COOPERATING)	IND A4+(ISSUER NOT COOPERATING)	IND A3 (IS NOT COOPERA
Term loan	Long-term	INR543	IND B/Stable	IND D(ISSUER NOT COOPERATING)	IND BB(ISSUER NOT COOPERATING)	IND BBB-(I NOT COOPERA

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Term loans	Low

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

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