

Omega Seiki Mobility Private Limited

October 10, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the proposed bank facilities of Omega Seiki Mobility Private Limited (OSMPL) is constrained by company's nascent and loss-making operations resulting in weak financial risk profile. Further, the rating also takes into consideration the company's working capital intensive nature of operations along with presence in a highly competitive industry. However, the rating draws comfort from the experience of the promoters in the managing diversified businesses like electric mobility, auto components etc, and reputed clientele of the company. The rating also factors in continuous financial and technical support from the parent company, Omega Seiki Private Limited.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Improvement in scale of operations as marked by total operating income of Rs 75 crores and GCA of Rs 5.00 crores.
- Improvement in financial risk profile as marked by overall gearing of less than 1.25x
- Raising of funds through private equity at fair valuation significantly and favourable altering the shareholding pattern

Negative factors

- Gross cash accruals of less than Rs 2.00 crores thereby resulting in stretched liquidity.
- Elongation of operating cycle beyond 60 days

Analytical approach: Standalone after factoring in linkages with Omega Seiki Private Limited

Outlook: Stable

CARE Ratings believes that the entity shall benefit from experience of its promoter group as well as through association with reputed clientele.

Detailed description of the key rating drivers:

Key weaknesses

Nascent and loss-making operations: The company is currently in nascent stage of operations and is maintaining a fleet of around 1000 electric vehicles for providing logistics solutions to various e-commerce players in India. In FY23 (refers to period April 1 to March 31), the operations of the company stood small with total operating of Rs 6.81 crores. Further, the operations of the company are currently loss making as marked by net loss of around 51% in FY23. With expected increase in scale of operations supported by additional orders from various e-commerce players, the company will reach economies of scale and is expected to turn profitable in medium term.

Weak Financial Risk profile: The net worth base of the company stood negative as on March 31, 2023 due to loss making operations. However, the unsecured loans from parent company (OSPL) worth Rs. 13.78 crores have been converted to equity during Q2FY24 (refers to the period July 1 to September 30) which has resulted in net worth turning to positive as on September 2023. The parent company and promoters are expected to infuse additional Rs. 11-12 crores during Q3FY24 (refers to period October 1 to December 31) which will further, result in an improved net worth base by end of FY24. With envisaged term loans for purchase of fleet and simultaneous infusion of equity, the leverage position of the company is expected to improve and stand moderate at around 1-1.5x in short to medium term. In near term, the gross cash accruals generated by Omega Seiki Mobility Private Limited (OSM) are not expected to meet repayment obligations completely, thereby requiring minor additional support from holding company and promoters.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Working capital intensive nature of operations: The business of fleet management is a service-based business model and does not require any inventory. The payment cycle from major logistic players is around 2 months, thereby resulting in an average collection period of 65 days as on March 31, 2023. Creditors mainly pertain to salaries payable to fleet drivers on 7th of every month and regular maintenance charges payable. Since these expenses are regular in nature, the credit period available is relatively short while the collection period is elongated resulting in working capital intensive nature of operations.

Presence in highly competitive industry: Fleet management industry is growing industry owing to favourable government regulations especially subsidies for Electric Vehicles (EVs) fleet along with growth in Ecommerce industry in India. Fleet management industry is fragmented owing to presence of a number of organised and unorganised players. The competitive market space reduces negotiation power of small and upcoming players resulting in lower margins and elongated collection period.

Key strengths

Experienced and Resourceful promoters with continuous financial and technical support: OSM was founded by Mr. Uday Narang in June 2019. The company is wholly owned subsidiary of Omega Seiki Private Limited (OSPL), a leading manufacturing concern in EV Space having four manufacturing plants in India. Mr. Uday Narang has an experience of around two decades as a fund manager in USA and more than half a decade with OSPL. Currently, Omega Seiki Mobility Private Limited is procuring vehicles from its group company and going forward will purchase vehicles from Omega Seiki Private Limited. The management is common between both the entities. Also, the company benefits from OSPL's established network with e-commerce and logistic players. Further, the management is common between Omega Seiki Mobility Private Limited and Omega Bright Steel Private Limited (CARE BBB-; Stable/ CARE A3).

OSPL has given continuous financial and technical support to the company. OSPL has invested around Rs. 14 crores in OSM till September 2023 and is expected to infuse additional Rs. 11-12 crores in OSM to support its operations. The company also gets technical support from OSPL in terms of getting additional contracts by leveraging existing network of OSPL. Further, the company also gets maintenance support from its parent entity, OSPL, for all the vehicles operated. It also benefits from distribution network of its parent company.

Reputed clientele: OSM is associated with reputed players in logistic and e-commerce industry such as Innovative Retail Concepts Private Limited (Big Basket), Instakart Services Private Limited, Flipkart and Amazon. As a fleet management company, its fortunes are tied to growth in e-commerce and logistic industry which are further cyclic in nature. The growing e-commerce segment and existing relations of Omega Seiki Private Limited (parent company) with various e-commerce players is expected to benefit the marketing initiatives of Omega Seiki Mobility Private limited and adding new reputed names to its clientele.

Liquidity: Stretched

The liquidity profile of the company is stretched as marked by negative cash accruals envisaged in FY24 resulting in DSCR below unity. However, in FY25 the gross cash accruals are envisaged at around Rs.5 crores against repayment obligation of around Rs. 3 crores in same year. Shortfall if any would be supported by parent company, Omega Seiki Private Limited. Further, the management is expected to infuse additional Rs. 11-12 crores in OSM and also has plans to raise equity from venture capitalist in Omega Seiki Mobility Private Limited which will support the liquidity profile of the company in short to medium term.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

Omega Seiki Mobility Private Limited (Omega) is a fleet management company based out of New Delhi. Omega was incorporated in June 2019 however the operations commenced in FY21. The company is currently at a nascent stage and is maintaining fleet of electronic vehicles (EVs) for renting out to major logistic players.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)	Q1FY24 (UA)
Total operating income	0.60	6.75	3.71
PBILDT	0.08	-1.24	NA
PAT	0.00	-3.47	NA
Overall gearing (times)	0.00	-4.94	NA
Interest coverage (times)	420.00	-0.59	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Proposed	20.00	CARE BB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	20.00	CARE BB-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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