

Om Metals Auto Private Limited

August 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	66.55 (Enhanced from 44.10)	CARE BBB-; Stable / CARE A3	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable / CARE A4+;
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of Om Metals Auto Private Limited (OMAPL) were denoted as CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING; since, the company did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Ltd. had reviewed the ratings on the basis of the best available information. However, the company has now submitted the requisite information to monitor the ratings and CARE Ratings Ltd. has carried out a full review of the ratings and the ratings stands at 'CARE BBB-; Stable/ CARE A3'.

Rationale and key rating drivers

The ratings assigned to the bank facilities of OM Metals Auto Private Limited continue to derive strength from experienced promoters & long-standing relationship with a leading Original Equipment Manufacturer (OEM) i.e. Toyota Kirloskar Motor Private Limited. The ratings further derive strength from growing scale of operations, moderate profitability margins, and comfortable operating cycle. The ratings also derive comfort from average financial risk profile marked by moderate capital structure coupled with average debt coverage indicators. However, the ratings are constrained by the working capital-intensive nature of operations, limited bargaining power with principal automobile manufacturer and inherent competitive and cyclical nature of auto industry. CARE Ratings Ltd. has withdrawn the rating assigned to the term loan rated by us with immediate effect as the company has repaid such loan in full and there is no amount outstanding under the loan as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above Rs. 600 crores with improvement in Profit Before Interest, Depreciation, Taxes (PBILDT) margin above 4.00%.
- Improvement in capital structure marked by overall gearing ratio below 1.00x on a sustained basis.

Negative factors

- Decrease in scale of operations below Rs. 300 crores with moderation in PBILDT margin below 3% on sustained basis.
- Deterioration in financial risk profile with Total Outside Liabilities to Tangible Net Worth (TOL/TNW) above 2.10x on sustained basis.
- Deterioration in liquidity position on account of elongation of operating cycle beyond 50 days on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the company is likely to maintain its operating and financial profile coupled with adequate liquidity, thereby maintaining its comfortable solvency profile over the medium term.

Detailed description of the key rating drivers:

Key strengths

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

Growing scale of operations with moderate profitability margins:

The scale of operations of the company increased with Y-o-Y growth of ~26% marked by total Income from Operations (TOI) of Rs. 426.53 crore in FY24 (refers to period April 01 to March 31). The increase is on account of higher demand in passenger vehicle segment. Further, profitability margins of the company stood moderate as marked by PBILDT and Profit after tax (PAT) margin of 3.09% and 1.32%, respectively in FY24 as against 3.29% and 1.36%, respectively in FY23. Slight moderation in the profitability margins is majorly on account of increase in employee cost by around Rs. 3.19 crores & advertisement expense by Rs. 1.21 crores.

The company has achieved TOI of Rs. 121.03 crores with PBILDT & PAT margin of 2.54% & 0.77% respectively during Q1FY25 (refers to period April 01 to June 30). Sales of the company generally picks up during second half of the financial year (refers to period October 01 to March 31) supported by festive season which helps in better absorption of certain fixed nature of operational & administrative nature of expenses.

Care Ratings' expects sustained improvement in operational performance of the company over medium to long term

Average financial risk profile:

The overall gearing of the company stood at 1.42x as on March 31, 2024, as against 0.44x as on March 31, 2023. Further, TD/GCA stood at 4.56x (PY: 1.39x). Moderation in financial risk profile is on account of additional working capital limits availed to support the growing scale of operations. However, the interest coverage ratio remained comfortable at 5.41x in FY24. Further, overall gearing position & interest coverage ratio of the company stands at 1.95x & 3.23x as on June 30, 2024.

Owing to increasing working capital borrowings, debt coverage indicators of the company are expected to remain moderate over short to medium term. Further, the company's ability to maintain its average financial risk profile while managing its working capital requirements would remain a key monitorable from credit perspective.

Experienced Promoters:

OMAPL is promoted by Mr. Vikas Kothari, Mr. Bahubali Kothari and Mr. Vivek Kothari and is a part of Delhi based Om Kothari Group. The promoters have presence in automobile dealership with business for around two decades of established relationship with Toyota Kirloskar Motor Private Limited. The Group's flagship company, Om infra Limited (rated CARE BBB; Stable/ CARE A3+) is engaged in diversified activities including turnkey solution for hydromechanical equipment for hydro power & irrigation projects, real-estate development, hotel & multiplex, Jal Jeevan mission and infrastructure projects.

Key weaknesses**Working capital-intensive nature of operations:**

The operations of the company are working capital intensive in nature as the company needs to stock different models of vehicles and spares in the showrooms in order to ensure adequate availability and visibility. Although, operating cycle of the company remained comfortable & stood at 21 days in FY24. The average inventory holding days of the company stood at 21 days in FY24 (PY: 14 days). Further, the sales to the customers are made on "Cash and Carry" basis however, around 70% of the vehicles are bought on vehicle financing basis through banks and NBFC and certain credit period offered to corporate & government customers. The same results in a collection period of around 7 days. The company procures passenger vehicles and Spare parts from Toyota Kirloskar Motor Private Limited by making full advance payment. However, for consumables the company receives accredit period of around one week from domestic players leading to creditors days of 6 days in FY24. Besides this, the working capital requirements are met through bank borrowings which remained utilized around 67% utilized for the past 12 months ended June 2024.

Going forward, with expected increase in inventory holding requirements of the company to support the increasing scale driven by higher sales targets by OEMs, company's ability to effectively manage its working capital requirements will remain a key monitorable.

Limited bargaining power with principal automobile manufacturer:

OMAPL's business model (i.e. auto dealership) is largely in the nature of trading wherein the profitability margins are low. Moreover, the dealers have low bargaining power over their principal manufacturers. In order to capture the market share, the auto dealers offer better buying terms like allowing discounts on purchases, free accessories or insurance, etc. which create margin pressure for the dealers.

Intense competition and cyclical nature of the auto industry:

OMAPL is exposed to competition from the products of other OEMs and dealers operating in the same region. Accordingly, OMAPL has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's established market position helps it to sustain the competition and maintain its strong market position in the region. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Liquidity: Adequate

Liquidity of the company is adequate characterized by expected cushion in accruals of ~Rs.11 crore in FY25 vis-à-vis Rs. 2.37 crore repayment obligations in FY25. It has free cash and cash equivalents to the tune of Rs.14.29 crore as on June 30, 2024. The reliance on working capital limits has remained moderate marked by average utilisation of ~67% for trailing twelve months ended June 2024. The unutilized limits extend cushion to liquidity in cases of any cash flow mismatches. The company is not planning any major capital expenditure in near to medium term.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Auto Dealer](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated in 2004, OMAPL is an authorized dealer of Toyota Kirloskar Motor Private Limited (TKMPL) and was promoted by Mr. Vikas Kothari, Mr. Bahubali Kothari and Mr. Vivek Kothari. OMAPL is a part of Delhi based Om Kothari group and derives its revenue from vehicle sales and servicing and sale of spare parts. OMAPL has seven showrooms three in Jaipur and one each in Sikar, Kota, Ajmer and Jhunjhunu in Rajasthan.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	337.64	426.53	121.03
PBILDT	10.79	13.18	3.07
PAT	4.60	5.64	0.93
Overall gearing (times)	0.44	1.42	1.95
Interest coverage (times)	6.26	5.41	3.23

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	August, 2026	0.00	Withdrawn
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	66.55	CARE BBB-; Stable / CARE A3

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 2024-2025	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
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	66.55	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (28-Aug-23)	1)CARE BBB-; Stable / CARE A3 (04-Aug-22)	1)CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING * (28-Jun-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (28-Aug-23)	1)CARE BBB-; Stable (04-Aug-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (28-Jun-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: 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
2	Fund-based - LT/ ST-Working Capital Limits	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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About us:

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