

October 07, 2022

Okinawa Autotech Internationall Private Limited: Ratings placed on watch with negative implication

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Term Loan	4.0	4.0	[ICRA]BBB@, Placed on watch with negative implication
Long-term/Short-term fund based/non-fund-based facilities	40.0	40.0	[ICRA]BBB@/[ICRA]A3+@; Placed on watch with negative implication
Total	44.0	44.0	

*Instrument details are provided in Annexure-1

Rationale

On September 29, 2022, the status of all the FAME¹ subsidy eligible electric two-wheeler (e-2W) models of Okinawa Autotech Internationall Private limited (OAIPL; the erstwhile Okinawa Autotech Private Limited) was changed from 'Active' to 'Expired' on the Ministry of Heavy Industries (MHI) website, Government of India. Prior to this development, various media articles had quoted the Secretary of MHI indicating that the subsidy claims for select e-2W OEMs have been put on hold pending conclusion of inquiries opened regarding alleged violation of localisation norms by these companies, while claiming subsidies under the FAME scheme.

The ratings of OAIPL have been placed on watch with negative implications as a result of this development as there exists uncertainty regarding its ability to meet the desired regulatory norms with respect to phased manufacturing programme (PMP) and, therefore, the eligibility of its high-speed models for FAME II subsidy. The exclusion of the company's products from FAME eligibility and/or any prolonged delay in receipt of subsidy claims would have a detrimental impact on its credit profile. The FAME subsidy constitutes 25-30% of the overall price of the company's high speed e2Ws and removal of the same would adversely impact the price competitiveness of its products and/or profitability. The company has seen a build-up of subsidy claims from the Government over the past few months; even as it currently has some buffer in the form of undrawn working capital lines, any prolonged delay in receiving the subsidy could impact OAIPL's cash flows and liquidity profile. Accordingly, the development is likely to be a credit negative in ICRA's view.

The management of the company has claimed that the 'expired' status on website for the company's models is on account of technical issues and that the company is fully compliant with the domestic value addition (DVA) norms with respect to the PMP. Further, it has completed all the procedural formalities and is following-up with MHI for any further clarifications needed to resolve the issue at the earliest. ICRA would continue to monitor the developments, and take appropriate rating action, post analysing its impact on OAIPL's credit profile.

ICRA also notes the change in the company's organisation structure. OAIPL has recently incorporated a wholly owned subsidiary, Okinawa Scooters & Motorcycles India Private Limited (OSMIPL) and will be setting up a mega e-2W manufacturing facility (~10 lakh unit capacity) for it (against earlier plans for undertaking capex under OAIPL). Over the medium term, OAIPL will shift all manufacturing activities under this subsidiary and will act as the marketing arm of the group. Also, in June 2022, OAIPL incorporated a joint venture company, Okinawa Tacita Internationalls Private Limited (OTIPL), with the Italian e-2W

¹ Faster adoption and manufacturing of hybrid and electric vehicles (FAME) scheme

maker, Tacita. Under this venture, it will be developing high-end scooters and motorcycles, starting 2023. Given the common management and operational linkages between OAIPL and these new companies, ICRA is taking a consolidated view of them.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Two-Wheeler Manufacturers Rating approach – Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of OAIPL. As on March 31, 2022, the company had two subsidiaries, which are all enlisted in Annexure-2.

About the company

Incorporated as a private limited company in 2015, Okinawa Autotech International Private Limited is engaged in manufacturing e-2Ws of both high-speed and low-speed varieties. The company is promoted by Mr. Jeetender Sharma and his wife, Dr. Rupali Sharma, and is based out of Gurgaon, Haryana. On a consolidated level, OAIPL has three manufacturing facilities—two operational and one under construction—at Alwar in Rajasthan. As on date, the company has a total installed manufacturing capacity of ~3.0 lakh units per annum, with plans to enhance the capacity to ~10 lakh over the medium term. OAIPL's product portfolio currently consists of eight models, which are distributed through a 300-strong dealer network. In H1 FY2023, OAIPL was the largest high-speed e-2W maker with a market share of 19% (17% in FY2022 as per the registration data on the GoI's Vahan portal).

In May 2022, OAIPL entered a joint venture with Tacita, an Italian manufacturer of electric and performance motorcycles. The new company, Okinawa Tacita International Private Limited, born from the joint venture in June 2022, is slated to begin production from 2023. The major contribution from Tacita will be in terms of technology transfer.

Key financial indicators (audited)

	FY2021 (Standalone)	FY2022 (Standalone)	5m FY2023 (Provisional-Consolidated)
Operating income (Rs. crore)	117.8	815.3	697.3
PAT (Rs. crore)	5.4	89.2	91.1
OPBDIT/OI (%)	9.4%	15.2%	16.7%
PAT/OI (%)	4.6%	10.9%	13.1%
Total outside liabilities/Tangible net worth (times)	15.7	2.3	-
Total debt/OPBDIT (times)	2.1	0.4	-
Interest coverage (times)	3.7	45.2	35.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company Annual/Provisional results, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the past 3 years					
		Amount Rated (Rs. crore)	Amount Outstanding as Mar 31, 2021 (Rs. crore)	Date & Rating in		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
				Oct 7, 2022	Apr 5, 2022				
1 Term Loan	Long-Term	4.0	3.5	[ICRA] BBB @	[ICRA] BBB (Positive)	-	-	-	
2 Long-term/Short-term fund based/Non fund based facilities	Long-Term/Short-term	40.0	-	ICRA] BBB @/ [ICRA]A3+@	ICRA] BBB (Positive)/ [ICRA]A3+	-	-	-	

@: Under watch with negative implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Fund based/Non-fund-based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	Dec 15, 2021	--	Mar 31, 2023	4.0	[ICRA]BBB @
NA	Fund based/Non fund-based facilities	Dec 15, 2021	--	--	40.0	[ICRA]BBB @/[ICRA]A3+@

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	OAIPL Ownership	Consolidation Approach
Okinawa Autotech International Private Limited	100.00% (rated entity)	Full Consolidation
Okinawa Parts India Private Limited	100.00%	Full Consolidation
Okinawa Scooters & Motorcycles India Private Limited	100.00%	Full Consolidation

Source: Company Annual report FY2022

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