

Press Release

Olympia Industries Limited

08 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.25.00 Cr. (Enhanced from Rs. 15 Cr.)
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.25.00 crore bank facilities of Olympia Industries Limited (OIL). The outlook is '**Stable**'.

The Mumbai based, OIL (the erstwhile doubleA Twisters Private Limited) was established in 1987 and subsequently renamed Olympia Industries Limited in 1993. The company promoted by Mr. NavinPansari, is engaged in the distribution of FMCG products. In 2014, OIL entered into an agreement with Amazon to sell FMCG products (baby care, personal care among others) online.

Key rating drivers

Strengths

Experienced management

The operations are led by Mr. NavinPansari, who possesses more than two decades of experience in the distribution of electronic peripherals, apparels among others.

Established marketing channel, diversified product profile and reputed suppliers

The company sells a diverse range of products including FMCG, auto parts and accessories, baby care, electronics among others of reputed companies such as Philips Electronics Private Limited, Kimberley Clark Lever Private Limited, Bajaj Electricals Limited on ecommerce website - Amazon India.

Healthy growth in revenues with uneven margins

The revenues have grown at a CAGR of 233.61 per cent between FY2014 and FY2017. The company registered revenue of Rs. 244.96 crore in FY2016-17 compared to Rs. 187.21 crore in FY2015-16 and Rs. 122.55 crore in FY2014-15. The growth in revenues has been on account of diversification of its product profile, addition of new suppliers and efficient management of finished goods inventory held by the company.

Moderate financial risk profile

The risk profile is moderate marked by networth of Rs.29.73 crore as on 31 March, 2017 compared to Rs. 19.59 crore as on 31 March, 2016. The increase in networth has been on account of rise in

share capital from Rs. 3.66 crore as on 31 March, 2016 to Rs. 5.28 crore as on 31 March, 2017. The reserves also increased from Rs. 15.92 crore as on March 31, 2016 to Rs. 24.46 crore as on 31 March, 2017. The gearing stood at 0.41 times as on 31 March, 2017 (0.65 times as on March 31, 2016) with total debt at Rs. 12.20 crore as on 31 March, 2017 comprising short term debt of Rs. 11.37 crore and Rs. 0.71 crore of unsecured loans from promoters. The coverage indicators are moderate with interest coverage ratio (ICR) of 6.79 times for FY2016-17 as against 4.87 times for FY2015-16 with net cash accruals over total debt (NCA/TD) of 0.40 times as on 31 March, 2017. SMERA believes that the company will be able to maintain stable net cash accruals on the back of its experienced management which will lead to a stable financial risk profile.

Weaknesses

Highly competitive industry

OIL operates in a highly competitive and fragmented industry. The e-commerce portal faces threat of larger customer acquisition from other portals such as Flipkart, Snapdeal, Ebay, etc. Besides, the company also faces competition from sellers registered with Amazon India. However, the risk of competition is mitigated due to OIL's platinum membership with Amazon India which entitles the company to share losses on slow moving inventory with Amazon, higher visibility and data analytics regarding the products and customers' preferences.

Uneven operating margins

The margins of the company have been uneven during the period under study (FY2014 to FY2017) with 3.32 per cent in FY2017 compared to 2.55 per cent in FY2016 and 4.43 per cent in FY2015 (5.57 per cent in FY2014). The unevenness has been on account of fluctuations in the prices of goods purchased by OIL for trading on Amazon India.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of OIL to arrive at the rating.

Outlook - Stable

SMERA believes that the outlook on OIL's rated facilities will remain 'Stable' over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	244.96	187.21	122.55
EBITDA	Rs. Cr.	8.12	4.78	5.43
PAT	Rs. Cr.	4.55	2.58	4.57
EBITDA Margin	(%)	3.32	2.55	4.43
PAT Margin	(%)	1.86	1.38	3.73
ROCE	(%)	21.58	22.06	63.50
Total Debt/Tangible Net Worth	Times	1.83	1.95	3.74
PBDIT/Interest	Times	6.79	4.87	11.49
Total Debt/PBDIT	Times	1.43	2.45	0.58
Gross Current Assets (Days)	Days	120	107	116

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Sep-2017	Cash Credit	Long Term	INR 15	SMERA BBB- / Stable
19-Aug-2016	Cash Credit	Long Term	INR 15	SMERA BBB- / Stable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00 (Enhanced from Rs.15.00 Cr)	SMERA BBB- / Stable

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ABOUT SMERA

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