

Press Release

Olympia Industries Limited

March 11, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Negative (Outlook revised to Negative)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.25.00 cr. bank facilities of Olympia Industries Limited (OIL). The outlook is revised to '**Negative**' from '**Stable**'.

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

Update

Outlook: Negative

Acuite believes that the OIL's credit profile will be impacted by significant decline in revenues and moderation in the profitability margins. The rating may be downgraded in case of further deterioration in profitability margins and decline in revenues thereby impacting the liquidity and debt protection indicators of the company. Conversely, the outlook may be revised to 'Stable' if the company is able to show significant growth in revenue while efficiently managing its working capital cycle and keeping the debt levels moderate.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of OIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management, established marketing channel and diversified product profile**

The operations are led by Mr. Navin Pansari, who possesses more than two decades of experience in the distribution of electronic peripherals and apparels, among others. OIL sells a diverse range of products including FMCG, baby care and electronics, among others of reputed companies such as Philips Electronics Private Limited, Kimberley Clark Lever Private Limited and Bajaj Electricals Limited on ecommerce website - Amazon India.

- **Healthy financial risk profile**

OIL has a healthy financial risk profile marked by moderate net worth, low gearing and healthy debt protection measures. The company's net worth is moderate at Rs.47.95 crore as on 31 March, 2018. The net worth has improved from Rs.32.48 crore as on 31 March, 2016 on account of accretion to reserves and increase in paid up capital. Acuite believes that the net worth of the company will remain moderate backed by its stable operating margins leading to accretion to reserves.

Further, the debt to equity ratio stood at 0.49 times as on 31 March, 2018 as compared to 0.29 times as on 31 March, 2017. The TOL/TNW ratio, however, stood low at around 0.64 times as on March 31, 2018. Interest coverage stood at 2.95 times and NCA/TD stood at 0.13 times in FY2018. Acuite believes that the debt protection metrics will remain healthy on account of stable operating margins and revenue visibility over the medium term. The revenue visibility is on account of new policy by government related to E-commerce players.

companies, or having control on its inventory by e-commerce marketplace entity or its group companies, will not be permitted to sell its products on the platform run by such marketplace entity. This prohibits entity related directly or indirectly from selling on a platform.

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 and Ebay, among others. 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.

• Decline in the revenue

The revenue of the company has declined to Rs.179.59 crore in FY2018 as compared to Rs.244.96 crore in FY2017. The decline in the revenues is because Cloudbail started selling on Amazon and Cloudbail is the joint venture between Amazon and N R Narayana Murthy's Catamaran Ventures.

Liquidity Profile

OIL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.02 - 4.98 crore during the last three years through 2017-18, while its maturing debt obligations were nil over the same period. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 119 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the company remains utilised at 80 percent during the last six months' period ended January 2019. The current ratio of the company stood healthy at 1.97 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	179.74	246.47	188.29
EBITDA	Rs. Cr.	5.64	8.08	4.78
PAT	Rs. Cr.	1.87	4.20	2.58
EBITDA Margin	(%)	3.14	3.28	2.54
PAT Margin	(%)	1.04	1.71	1.37
ROCE	(%)	8.14	15.39	21.56
Total Debt/Tangible Net Worth	Times	0.49	0.29	0.40
PBDIT/Interest	Times	2.95	6.78	4.87
Total Debt/PBDIT	Times	3.71	1.43	2.48
Gross Current Assets (Days)	Days	119	112	101

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Acuite Ratings & Research Limited (erstwhile SMERA Ratings Limited)

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Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
08-Mar-2018	Cash Credit	Long Term	25.00	ACUITE BBB-/Stable (Reaffirmed)
22-Sep-2017	Cash Credit	Long Term	15.00	ACUITE BBB-/Stable (Reaffirmed)
19-Aug-2016	Cash Credit	Long Term	15.00	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Negative (Reaffirmed)

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About Acuité Ratings & Research:

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