

## Press Release

### Olympia Industries Limited

March 11, 2021

#### Rating upgraded and assigned



<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Upgraded and assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.18.65 Crore bank facilities of Olympia Industries Limited (OIL). The outlook is '**Stable**'.

Further, Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.6.35 Crore bank facility of Olympia Industries Limited. The outlook is '**Stable**'.

#### Reason for Upgrade

The upgrade in the rating is on account of stable operational performance in the current year, above average financial risk profile, comfortable working capital operation and strong gearing. In FY2020, the revenue have improved by 4% and stood at Rs.132.98 Crore in FY2020 as against Rs. 127.83 Crore in FY2019. The company has shown continuous improvement from the last two years. However, the profitability margins have declined due to COVID-19 pandemic followed by nationwide lockdown. The operating income of the company has improved during the current financial year even during the COVID-19 pandemic as the company have achieved a revenue of Rs.103 Crore as on 31st December, 2020. Net worth of the company stood high at Rs.37.42 Crore as on 31 March 2020. The debt to equity ratio (gearing ratio) stood strong at 0.47 times in FY2020 as against 0.64 times in FY2019.

#### About the Company

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, Appliances, Personal Care, Electronics, Baby care and other products line. The Company has also expanded its wings into foreign markets such as Amazon.com and have also involved itself into Import activities.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profile of OIL to arrive at this 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 Panasonic Appliances India Co Limited, Kent RO Systems Limited, Blue Star Limited, Preethi Kitchen Appliances Private Limited, Ingram Micro India Private Limited, Venus Home Appliance Private Limited, Acer India Private Limited, Supertons Electronics Private Limited, Mondelez India Foods Private Limited etc. on various ecommerce marketplaces such as Amazon Seller Services Private Limited, Flipkart India Private Limited, Paytm E-commerce Private Limited and Snapdeal (Jasper Infotech Private Limited).

Acuité believes that the company will benefit from experienced management which will help the company

to maintain long standing relations with its clients.

- **Above average financial risk profile**

Company's financial risk profile remained strong marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.37.42 Crore as on 31 March 2020 as against Rs.36.83 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 0.47 times as on 31 March 2020 as against 0.64 times as on 31 March 2019. The total debt of Rs.17.61 Crore as on 31 March 2020 consists of secured loan of Rs.0.03 Crore and working capital borrowings of Rs.17.57 Crore. The interest coverage ratio (ICR) stood low at 1.63 times in FY2020 as against 2.10 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood low at 0.07 times in FY2020 as against 0.10 times in FY2019.

Acuite believes that the financial risk profile of the company is expected to remain above average backed by adequate net cash accruals and in the absence of any major debt funded capex in near to medium term.

### **Weaknesses**

- **Decline in operating and profitability margins**

In FY2020 and in the current financial year, the operating margins of the company got impacted by COVID-19 pandemic followed by nationwide lockdown. The operation were discontinued for the month of March, April and May. The company wasn't able to generate any substantial sales during these months. The operating margins declined 2.24 percent in FY2020 as against 3.58 percent in FY2019. The PAT margins also declined to 0.25 percent in FY2020 as against 1.06 percent in FY2019. This was mainly due to high procurement cost

- **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 Gold/ equivalent status in all the platforms/ marketplaces which entitles the company to higher visibility and data analytics regarding the products and customers' preferences.

### **Rating sensitivity**

- Improved performance in the current financial year.
- Significant decline in operating and profitability margins.

### **Material Covenant**

None

### **Liquidity position: Adequate**

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.22 Crore in FY2020 as against no significant debt maturity obligation for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.50 Crore to Rs.3.00 Crore during FY2021-23 as against no significant debt maturity obligation for the same period. Although, company's working capital operations are moderately intensive marked by Gross Current Asset (GCA) days of 163 days in FY2020. As a result, the average utilization of bank limits stood high at ~93 per cent in the last six months ending February 2021. Company maintains unencumbered cash and bank balances of Rs.0.09 Crore as on 31 March 2020. The current ratio stands at 2.04 times as on 31 March 2020.

### **Outlook: Stable**

Acuite believes that OIL will continue to benefit over the medium term due to its experienced management, healthy revenue visibility and healthy gearing. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its working capital. Conversely, the outlook may be revised to 'Negative', in case the company again registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected elongation in working capital leading to deterioration in liquidity.

**About the Rated Entity - Key Financials**

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	137.18	132.03
PAT	Rs. Cr.	0.34	1.40
PAT Margin	(%)	0.25	1.06
Total Debt/Tangible Net Worth	Times	0.47	0.64
PBDIT/Interest	Times	1.63	2.10

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in trading sector- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
27-May-2020	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded: Indicative)
11-March-2019	Cash Credit	Long Term	25.00	ACUITE BBB-/Negative (Reaffirmed)
08-March-2018	Cash Credit	Long Term	25.00	ACUITE BBB-/Stable (Reaffirmed)

**\*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	18.00	ACUITE BBB- /Stable (Upgraded)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BBB- /Stable (Assigned)
Term Loan	Not Available	7.40%	Not Available	3.57	ACUITE BBB- /Stable (Assigned)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE BBB- /Stable (Assigned)

Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE BBB- /Stable (Upgraded)
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### About Acuité Ratings & Research:

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