

Press Release

Olympia Industries Limited

June 09, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.25 Crore bank facilities of Olympia Industries Limited (OIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account improvement in OIL's scale of operations and healthy financial risk profile. It also draws comfort from company's experienced management. However, the decline in OIL's operating margin acts as a constraining factor for the rating. Ability of the company to maintain its scale of operations while improving its operating and profitability margin will continue to remain a key rating sensitivity factor.

About the Company

OIL incorporated in the year 1987, was originally engaged into manufacturing of Dyed and Blended yarns in Gujarat and Maharashtra. However since 2014, the company is engaged in the distribution of Baby care, Home & Kitchen and Beauty & Personal Care Appliances products through E commerce on Amazon as SOA (Selling on Amazon), PSP (Platinum Seller Program) & FBA (Fulfillment by Amazon). The company has its warehouses in Mumbai, Bengaluru and Gurgaon.

Analytical Approach

Acuite 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 of OIL are led by Mr. Navin Pansari, who possesses more than three decades of experience in the distribution of electronic peripherals and apparels, among others. OIL sells a diversified range of products which includes FMCG, baby care, electronic

appliances among others of reputed companies like Panasonic Appliances India Company 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 among others on various e-commerce 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 its experienced management which will help the company to maintain long standing relations with its clients.

Healthy financial risk profile

Financial risk profile of OIL is healthy marked by moderate tangible networth, low gearing and healthy debt protection metrics. The tangible networth of the company has sequentially improved to Rs.39 Cr as on 31 March, 2022 as against Rs.38 Cr as on 31 March, 2021 on account of moderate accretion to reserves. The gearing (debt-equity) has slightly increased to 0.70 times as on 31 March, 2022 as against 0.60 times as on 31 March, 2021. The gearing of the company is expected to remain low over the medium term on account of absence of any debt funded capex plans in the future and modest incremental working capital requirements, which is likely to be funded by the cash accruals of the company. The total debt of Rs.27 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.5 Cr and short term working capital limit of Rs.22 Cr. The interest coverage ratio improved to 2.02 times for FY2022 as against 1.60 times for FY2021. The DSCR improved to 1.60 times for FY2022 as compared to 1.55 times for FY2021. The Net Cash Accruals to Total debt stood at same level of 0.05 times for FY2022 and FY2021. The Total outside liabilities to Tangible net worth has increased to 2.05 times for FY2022 as against 1.11 times for FY2021.

Acuité believes that the financial risk profile of OIL will remain healthy in near to medium term due to its improving operating performance, low debt levels vis-à-vis healthy tangible net worth and healthy debt protection metrics.

Weaknesses

Decline in operating margin albeit increase in the scale of operations

OIL has reported an increase in its scale of operations with revenue of Rs.326 Cr. In FY2022 against Rs.140 Cr. In FY2021. However, the company has not been able to maintain its operating profitability which has shown a significant decline. OIL's already thin operating margin further declined to 1.17 percent for FY2022 as against 1.99 percent for FY2021 due to its overall increase in purchase of traded goods, especially imported goods for the business expansion purpose. However, the net profit margin has marginally improved to 0.16 percent in FY2022 as against 0.15 percent in FY2021. Apart from that, the company generated lower sales during Q1 and Q2 of FY2022 as against that of Q4 FY2021 due to the effect of second wave of covid induced restrictions.

Acuité believes that the ability of the company to improve its operating and profitability margin in near to medium term will continue to remain a key rating sensitivity factor.

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 Sensitivities

- Ability to maintain scale of operations
- Ability to improve operating and profitability margin

Material covenants

None

Liquidity Position - Adequate

OIL has healthy net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals of ~Rs.1 Cr during FY2020 to FY2022 against no repayment obligation in FY2020 & FY2021 and of ~Rs.2 Cr during FY2022. Going forward, the NCA are expected in the range of Rs.4 Cr – Rs.6 Cr for period FY2023-FY2024 against repayment obligation of ~Rs.2 Cr for the same period. The working capital operations of the company are moderately intensive marked by its improved gross current asset (GCA) days of 126 days for FY2022 as against 193 days for FY2021 on account of improvement in its overall inventory and debtors cycle during the same period. The average bank limit utilization for 6 months' period ended April 2022 however stood higher at ~97 percent. Current ratio stands at 1.49 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.0.05 crore in FY2022.

Outlook: Stable

Acuité believes that OIL will maintain 'Stable' outlook over the medium term on account of its experienced management, healthy financial risk profile and increase in scale of operations. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	325.81	139.77
PAT	Rs. Cr.	0.52	0.20
PAT Margin	(%)	0.16	0.15
Total Debt/Tangible Net Worth	Times	0.70	0.60
PBDIT/Interest	Times	2.02	1.60

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

Not applicable

Any other information

None

Applicable Criteria

- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Mar 2021	Term Loan	Long Term	3.57	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.65	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)

	Working Capital Demand Loan	Long Term	1.80	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.98	ACUITE BBB- Stable (Assigned)
27 May 2020	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
11 Mar 2019	Cash Credit	Long Term	25.00	ACUITE BBB- Negative (Reaffirmed)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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