



Press Release
OLYMPIA INDUSTRIES LIMITED
November 20, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double b plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.25.00 Crore bank facilities of Olympia Industries Limited (OIL). The outlook is '**Stable**'.

Rationale for Rating Downgrade:

The rating downgrade considers the sharp decline in operating income of OIL in H1FY2024 and the corresponding elongation in working capital cycle and stretched liquidity position of the company. The operating income of the company moderated significantly and stood at Rs. 78.10 Cr in H1FY2024 as against Rs.279.93 Cr in H1FY2023. The impact of declined scale of operations was partially offset by improved operating margins. The company reported EBITDA margins of 4.07% in H1FY2024 as against 0.83% during the same period last year. However, the debt protection metrics continued to be weak with debt service coverage ratio estimated to be below unity. Also, the working capital cycle of the company is estimated to elongate further in view of the H1FY2024 performance of the company. Going forward, the company's ability to improve its scale of operations while maintaining its profitability margins and capital structure and restricting further elongation of its working capital cycle will be key rating monitorables.

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.

Unsupported Rating

Not Applicable

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.

Moderate financial risk profile

The financial risk profile of OIL is moderate marked by moderate net worth, low gearing and weak debt protection metrics. The tangible net worth of the company stood at Rs.39.93 crore as on March 31, 2023, as against 38.57 crore as on March 31, 2022. The gearing level of the company stood at 1.05 times as on March 31, 2023 as against 0.70 times as on March 31, 2022. The total debt of the company stood at Rs.41.90 crore as on March 31, 2023. It consists of the long-term debt of Rs.3.18 crore and short-term debt of Rs.35.88 crore as on March 31, 2023. The company has added a supply chain facility of ~Rs.14 crore in FY23 for making advance payments to Bajaj and Bluestar. The company has also added a term loan of ~Rs.2.80 crore in FY2023. The interest coverage ratio stood at 1.73 times for FY2023 as against 2.02 times for FY2022. The DSCR stood at 1.10 times for FY2023.

In view of H1FY2024 performance of OIL, the debt protection metrics is estimated to continue to remain weak over the medium term, with DSCR estimated to fall below unity in FY2024. Acuite believes OIL's ability to improve its debt protection metrics over the near to medium term will remain a key rating monitorable.

Weaknesses

Moderate Working capital operations

The working capital operations of the company are moderate with the GCA days of 110 days as on March 31, 2023, as against 126 days as on March 31, 2022. The inventory days of the company stood at 74 days in FY2023 as against 68 days in FY2022. The company needs to stock up a variety of products in their warehouses to cater to the demand of the customers. The average inventory holding period is around 8-10 weeks. The debtors' days stood at 28 days in FY2023 as against 53 days in FY2022. The average credit term allowed to the customer is around 4-5 weeks. The creditors days stood at 35 days in FY2023 as against 59 days in FY2022. The average credit period received from the suppliers is around 3-4 weeks. The company makes advance payments to some of the suppliers. The average utilization of the banking limits is high and stood at ~98 percent for six months ended May'2023.

In view of H1FY2024 performance, the working capital cycle of OIL is estimated to elongate further in near to medium term. Acuité believes that the ability of the company to improve its working capital operations in near to medium term will remain a key rating sensitivity.

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

- > Movement in operating income and profitability margins.
- > Movement in working capital cycle.

All Covenants

Not Applicable

Liquidity Position: Stretched

The liquidity position of the company is stretched marked by low net cash accruals of Rs. 2.09 crores for FY23 as against the maturing debt obligations of Rs.1.59 crore over the same period. The cash accruals are expected to be in the range of Rs.2.74-4.68 crore for the period 2024-2025 while the maturing debt obligations are expected to be in the range of Rs.0.60-2.36 crore over the same period. The GCA days stood at 110 days as on March 31, 2023 and the bank limit utilization is high at ~98 percent for six months ending May'2023. The cash and bank balance stood at Rs.0.07 crore as on March 31, 2023, and the current ratio is moderate at 1.52 times for FY2023

Outlook: Stable

Acuité believes that OIL will maintain 'Stable' outlook over the medium term on account of its experienced management and improvement in profitability margins. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability margins and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely because of higher than envisaged working capital requirements or further decline in operating performance of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	377.95	325.81
PAT	Rs. Cr.	0.98	0.52
PAT Margin	(%)	0.26	0.16
Total Debt/Tangible Net Worth	Times	1.05	0.70
PBDIT/Interest	Times	1.73	2.02

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Sep 2023	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
09 Jun 2022	Proposed Bank Facility	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)
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*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BB+ Stable Downgraded

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About Acuité Ratings & Research

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