

Press Release

Omega Designs Private Limited

June 18, 2020



Rating Downgraded and Withdrawn

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- (Downgraded from ACUITE BB/Negative; Withdrawn)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+; Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded and withdrawn its long-term rating to '**ACUITE BB-**' (read as ACUITE double B minus) from '**ACUITE BB**' (read as ACUITE double B) and short term rating to '**ACUITE A4**' (read as ACUITE A four) from '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs.20.00 crore bank facilities of Omega Designs Private Limited (ODPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating. The rating downgrade is on account of information risk.

The rating is being withdrawn on account of request received from the company and NOC from the Bankers.

ODPL, incorporated in 1994, promoted by Mr. Dilip Dugar and his wife Mrs. Kavita Dugar is engaged in the trading and retailing of readymade garments for Kids with age group of 1 to 14 years under its brand names 'NautiNati' and 'Natilene'. The company has its presence across channels – including retail (company owned and franchise) stores, e-commerce websites and departmental store chains. ODPL operates in 160 locations (Pan India basis), has 10 exclusive stores of NautiNati, out of which 5 stores are company owned and 5 are franchise based stores. Major customers include Shoppers stop, Future Lifestyle Fashion Limited, Reliance trends, Central, Amazon, Myntra, Jabong, Flipkart among others. The company has amalgamated with its group companies, Apropriate Traders Private Limited and Brunswick Investments Private Limited. The scheme of amalgamation was sanctioned by NCLT as per order dated 7th November, 2019.

Key Rating Drivers

Strengths

- **Long track-record of operations**

ODPL was incorporated in the year 1994 and until September 2015 used to undertake jobwork activity for its flagship entity Omega Designs (engaged in the exports of readymade garments) post which is now engaged in retailing of readymade garments under its own brand name. The company is promoted by Mr. Dilip Dugar and Mr. Shantanu Dugar who have over two decades of experience in the garment business in India. ODPL's board of directors also includes Mr. Puneet Tibrewala nominee director from India Nivesh Venture Capital. ODPL's established record has helped the company maintain healthy relations with its customers and suppliers.

- **Improving Margins**

The operating margins improved at Rs.3.43 crore for FY2020 (provisional) as against operating losses of Rs. 2.73 crore for FY2019 and 5.65 crore for FY2018. The PAT margin stood at 0.68 per cent in FY2020 as against net loss of 14.87 per cent in FY2019 and 20.65 per cent in FY2018. The stretch in profitability for FY2019 and FY2018 was mainly on account of sales return from some of the key distributors at the time of GST implementation.

Weaknesses

- **Elongation in working capital cycle**

Operations of the company are highly working capital intensive marked by high Gross Current Asset (GCA) of 609 days in FY2020 (Provisional) as against 446 days in FY2019. The GCA days are mainly dominated by high receivable days of 326 in FY2020 against 284 in FY2019. The inventory holding period stood at 297 days in FY2020 against 128 days in FY2019.

Liquidity Position- Stretched

ODPL has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company has cash accruals of Rs.-5.32 to 0.78 crore during the last three years through 2018-19, while its maturing debt obligations were in the range of Rs.0.86 to 1.69 crore over the same period. The GCA days remain stretched at 609 days majorly on account of inventory and debtor days of 297 and 326 respectively as on March 31, 2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.30 crore as on March 31, 2020 (Provisional). The current ratio of the company stood healthy at 3.44 times as on March 31, 2020 (provisional).

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	28.12	28.16
PAT	Rs. Cr.	(4.18)	(5.81)
PAT Margin	(%)	(14.87)	(20.65)
Total Debt/Tangible Net Worth	Times	1.46	0.84
PBDIT/Interest	Times	(1.12)	(3.01)

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

CRISIL has been consistently following up with Omega Designs Private Limited (ODPL) for obtaining information through letters and emails, apart from telephonic communication. However, the issuer has remained non cooperative. Therefore, on account of inadequate information and lack of management cooperation, CRISIL has migrated the rating on bank facilities of ODPL to 'CRISIL BB/Stable/CRISIL A4+ Issuer not cooperating'.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
9-April-2019	Cash Credit	Long Term	7.00	ACUITE BB/ Negative (Downgraded)
	Secured OD	Long Term	1.80	ACUITE BB/ Negative (Downgraded)
	Term Loans	Long Term	0.86	ACUITE BB/ Negative (Downgraded)
	Dropline OD	Long Term	0.68	ACUITE BB/ Negative (Downgraded)

	Letter of Credit	Short Term	2.00	ACUITE A4+ (Downgraded)
	Proposed Cash Credit	Long Term	7.66	ACUITE BB/ Negative (Downgraded)
6-March-2018	Cash Credit	Long Term	7.00	ACUITE BBB-/Stable (Assigned)
	Secured OD	Long Term	1.80	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	0.86	ACUITE BBB-/Stable (Assigned)
	Dropline OD	Long Term	0.68	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	7.66	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB- (Downgraded and Withdrawn)
Secured OD	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BB- (Downgraded and Withdrawn)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.86	ACUITE BB- (Downgraded and Withdrawn)
Dropline OD	Not Applicable	Not Applicable	Not Applicable	0.68	ACUITE BB- (Downgraded and Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Downgraded and Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.66	ACUITE BB- (Downgraded and Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Disha N. Parmar Analyst - Rating Operations Tel: 022-49294054 disha.parmar@acuite.in	

About Acuite Ratings & Research:

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