

Press Release

Oshina Expo Private Limited

August 20, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Assigned)
Short term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.10.00 crore bank facilities of Oshina Expo Private Limited (OEPL). The outlook is '**Stable**'.

Ghaziabad based, Oshina Expo Private Limited (OEPL) was incorporated in 2012. The directors of the company are Ms. Suchita Jain, Mr Samit Jain and Ms. Neelam Mehta. The company is engaged in the trading of footwear; mainly slippers and sandals for men, women and kids. OEPL sells its products under the brand name of Tucson, Ekta, and Jeff, to name a few.

About the Group

The group has a total six companies namely Oshina Expo Private Limited, MB Rubber Private Limited, HB Rubber Private Limited, Zee Footwear Private Limited, Lakhani Infinity Footcare Private Limited, JRS Footwear Private Limited. All the companies are engaged in the production and trading of footwear such as slippers, canvas shoes etc.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of OEPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

OEPL was incorporated in 2012. The directors of the company; Ms. Suchita Jain, Mr Samit Jain and Ms. Neelam Mehta have amassed an experience of about two and a half decades in the aforementioned line of business, through their association with the group companies. The established track record of operations and experience of the management have helped the company to develop healthy relationships with its customers and suppliers.

Acuite believes that the company will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

• Moderate working capital operations

Working capital operations of the company are moderately efficient marked by gross current assets (GCA) of 98 days in FY2019 as compared to 101 days in FY2018. This is on account of the debtor collection period of 72 days in FY2019 as well as in FY2018. The inventory holding period remained around 19 days in FY2019 as compared to 22 days in FY2018.

Acuite believes that the working capital operations of the company will continue to remain moderately efficient over the medium term on account of its debt collection period.

Weaknesses

• Average financial risk profile

The company has an average financial risk profile marked by modest net worth, high gearing and average debt protection metrics. The net worth stood at Rs.3.14 crore as on 31 March, 2019 as against Rs.2.44 crore on 31 March, 2018 due to healthy accretion to reserves.

The company has followed an aggressive financial policy in the past; the same is reflected through its gearing levels of 4.18 times as on March 31, 2018. The gearing improved to 3.39 times as on March 31, 2019. The total debt of Rs.10.63 crore as on 31 March, 2019 consisted of long term debt of Rs.0.62 crore, unsecured loans of Rs.4.53 crore and working capital requirement of Rs.5.49 crore. Total outside liabilities to tangible net worth (TOL/TNW) stood high at 9.70 times as on 31 March 2019 as against 10.97 times as on 31 March 2018. OEPL generated cash accruals of Rs.1.52 crore in FY2019 as against Rs.1.23 crore in FY2018. The profitability levels, coupled with debt levels, have led to average debt protection measures. The NCA/TD and interest coverage ratio for FY2019 were comfortable at 0.14 times and 2.84 times, respectively.

Acuite believes that the financial risk profile of the company is likely to remain average over the medium term, on account of high gearing and average debt protection metrics.

• Competitive and fragmented industry

The company operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company.

Rating Sensitivities:

- Improvement in debt protection metrics
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. OEPL generated cash accruals of Rs.1.52 crore for FY2019, with debt repayment obligations of Rs.0.34 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.94 crore to Rs.2.41 crore during FY2020-22 against debt repayment obligations of Rs.0.28 crore in the same period. OEPL's working capital operations are moderately efficient marked by GCA of 98 days for FY2019. The average bank limit utilisation over the past six months ended June 2020 remained around ~72 percent. The current ratio stood at 1.18 times as on 31 March, 2019.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the scale of operations or profitability or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	113.34	92.33
PAT	Rs. Cr.	0.70	0.39
PAT Margin	(%)	0.62	0.42
Total Debt/Tangible Net Worth	Times	3.39	4.18
PBDIT/Interest	Times	2.84	2.33

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Not Applicable

***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	6.00	ACUITE BB-/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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