

## Press Release

### Oshina Expo Private Limited

August 20, 2020



### Rating Assigned

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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, Ektta, 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

Acuité 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.

Acuité 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.

Acuité 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.

Acuité 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.

Acuité 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**

Acuité 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**

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Stuti Fomra Analyst - Rating Operations Tel: 011-49731309 <a href="mailto:stuti.fomra@acuite.in">stuti.fomra@acuite.in</a>	

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind.

arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.