

Rating Advisory

October 14, 2022 | Mumbai

Osia Hyper Retail Limited

Update as on October 14, 2022

This rating advisory is provided in relation to the rating of Osia Hyper Retail Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Significant growth in revenue and steady operating margin
- Improvement in financial risk profile with TOL/ANW ratio below 3 times

Downward factors

- Decline in operating margin by 100 basis points or weakening of capital structure
- Stretch in working capital cycle or large debt funded capital expenditure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Osia Hyper Retail Limited (OHRL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If OHRL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Incorporated in 2013, OHRL (formerly, Mapple Exim Pvt Ltd) runs an organised retail business, through its stores in Ahmedabad, Vadodara, Gandhinagar and Dehgam. The company has 15 stores under the Osia Hypermart brand, and its central stockyard is in Rakhiyal, Ahmedabad. Retail operations commenced in July 2014. OHRL is listed on the Bombay Stock Exchange (BSE).

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www.crisil.com/ratings/credit-rating-scale.html

Rating Rationale

May 19, 2022 | Mumbai

Osia Hyper Retail Limited

Rating outlook revised to 'Positive'; Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.49 Crore
Long Term Rating	CRISIL BBB-/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Osia Hyper Retail Limited (OHRL) to **'Positive'** from 'Stable' while reaffirming the rating at **'CRISIL BBB-'**.

The revision in outlook reflects the expectation of improvement in the business risk profile. Revenue is likely to grow at a healthy pace, aided by a change in the business model and opening of 20 stores across various cities of Gujarat. The company plans to add more outlets in fiscal 2023 as well. Operating margin is however, estimated to decline marginally from 5.3% in fiscal 2021, due to increase in other operating expenses and outgo of commission to franchisee holders. Nevertheless, growth in revenue should result in sufficient cushion between cash accrual and debt obligation.

Addition of stores, especially through the franchisee route, has led to a rise in current liabilities and the total outside liabilities to adjusted network (TOL/ANW) ratio may exceed 3 times over the medium term. However, infusion of funds via equity (Rs 12.5 crore) should support the overall financial risk profile.

The rating also reflects the extensive experience of the promoters in the organised retail business and their funding support. These strengths are partially offset by the moderate financial profile and large working capital requirement.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters, and their funding support

Key promoter, Mr Dharendra Chopra has over two decades of experience in managing retail stores. Prior to setting up OHRL, he managed stores for National Handloom Co Pvt Ltd and was responsible for expanding the latter's reach in Ahmedabad. The promoter has extended unsecured loans to OHRL in the past and will continue to offer funding support.

Moderate business risk profile

Revenue had declined to Rs 317 crore in fiscal 2021, from Rs 343 crore in fiscal 2020, amidst the prevalent pandemic situation and the total lockdown in the first quarter. With rise in number of stores, footfalls and billing per person, revenue is estimated over Rs 590 crore in fiscal 2022. Increase in number of stores to 61 from 41, should help revenue exceed Rs 800 crore in the medium term. Operating margin is estimated to decline marginally due to higher revenue contribution from the B2B segment. Hence, the ability to achieve revenue growth while maintaining profitability is a key monitorable for OHRL.

Moderate debt protection metrics

Debt protection metrics were marked by interest coverage of 3.3 times and net cash accrual to adjusted debt ratios of 20% in fiscal 2021. Higher reliance on working capital bank debt, coupled with expected improvement in profitability, should keep debt protection metrics at similar levels over the medium term.

Weakness:

Moderate financial risk profile, offset by rise in TOL/ANW ratio

Financial risk profile is marked by moderate network and low gearing of Rs 82 crore and 0.58 times, respectively, over the medium term. The TOL/ANW ratio rose to over 2.2 times as on March 31, 2021 (against 1.65 times as on March 31, 2020) backed by increase in deposits from franchise owner to augment scale of operations. With continued store additions and receipt of deposits from franchise owners, the ratio may exceed 3 times over the medium term.

Working capital-intensive operations

Gross current assets were around 250 days as on March 31, 2021, primarily comprising inventory of around 6-7 months and receivables a month in FY21. Operations are supported by enhanced working capital limit, payables of over 4 months and receipt of deposits from franchise owners. Operations continue to remain similarly working capital intensive.

Liquidity: Adequate

Expected cash accrual should suffice to cover the term debt of around Rs 9 crore (pertaining to the working capital loan) over the medium term. Bank limit utilisation averaged nearly 70% for the 12 months ended February 2022. Working capital requirements shall continue to be significantly supported by credit from suppliers.

Outlook: Positive

CRISIL Ratings expects OHRL to strengthen its market position, backed by store additions especially in the regional market position over the medium term.

Rating Sensitivity Factors
Upward factors

- Significant growth in revenue and steady operating margin
- Improvement in financial risk profile with TOL/ANW ratio below 3 times

Downward factors

- Decline in operating margin by 100 basis points or weakening of capital structure
- Stretch in working capital cycle or large debt funded capital expenditure

About the Company

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Key Financial Indicators

Particulars	Unit	2021	2020
Revenue	Rs.Crore	316.96	343.22
Profit After Tax (PAT)	Rs.Crore	5.42	8.46
PAT Margin	%	1.71	2.47
Adjusted debt/adjusted network	Times	0.58	0.46
Interest coverage	Times	3.29	6.09

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	49	NA	CRISIL BBB-/Positive

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	49.0	CRISIL BBB-/Positive		--	26-07-21	CRISIL BBB-/Stable	09-10-20	CRISIL BBB-/Watch Developing	25-07-19	CRISIL BBB-/Stable	CRISIL BB+/Stable
			--		--	06-05-21	CRISIL BBB-/Stable	02-06-20	CRISIL BBB-/Stable	05-07-19	CRISIL BBB-/Stable	--
			--		--	10-02-21	CRISIL BBB-/Stable		--		--	--
			--		--	06-01-21	CRISIL BBB-/Watch Developing		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	8.3	CRISIL BBB-/Positive
Cash Credit	10	CRISIL BBB-/Positive
Cash Credit	11.7	CRISIL BBB-/Positive
Cash Credit	19	CRISIL BBB-/Positive

Criteria Details

Links to related criteria		
Rating criteria for manufacturing and service sector companies		
CRISILs Bank Loan Ratings - process, scale and default recognition		
CRISILs Approach to Financial Ratios		
Rating Criteria for Retailing Industry		
Understanding CRISILs Ratings and Rating Scales		
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