

# Olympia Industries Ltd.

## Evolving everyday

**3 CAPITALS**  
expertise you can trust

**Micro-Cap**  
**Multibagger**



Date : 6<sup>th</sup> Dec 2022 | CMP : ₹ 115 | BSE : 521105

# Inside the report

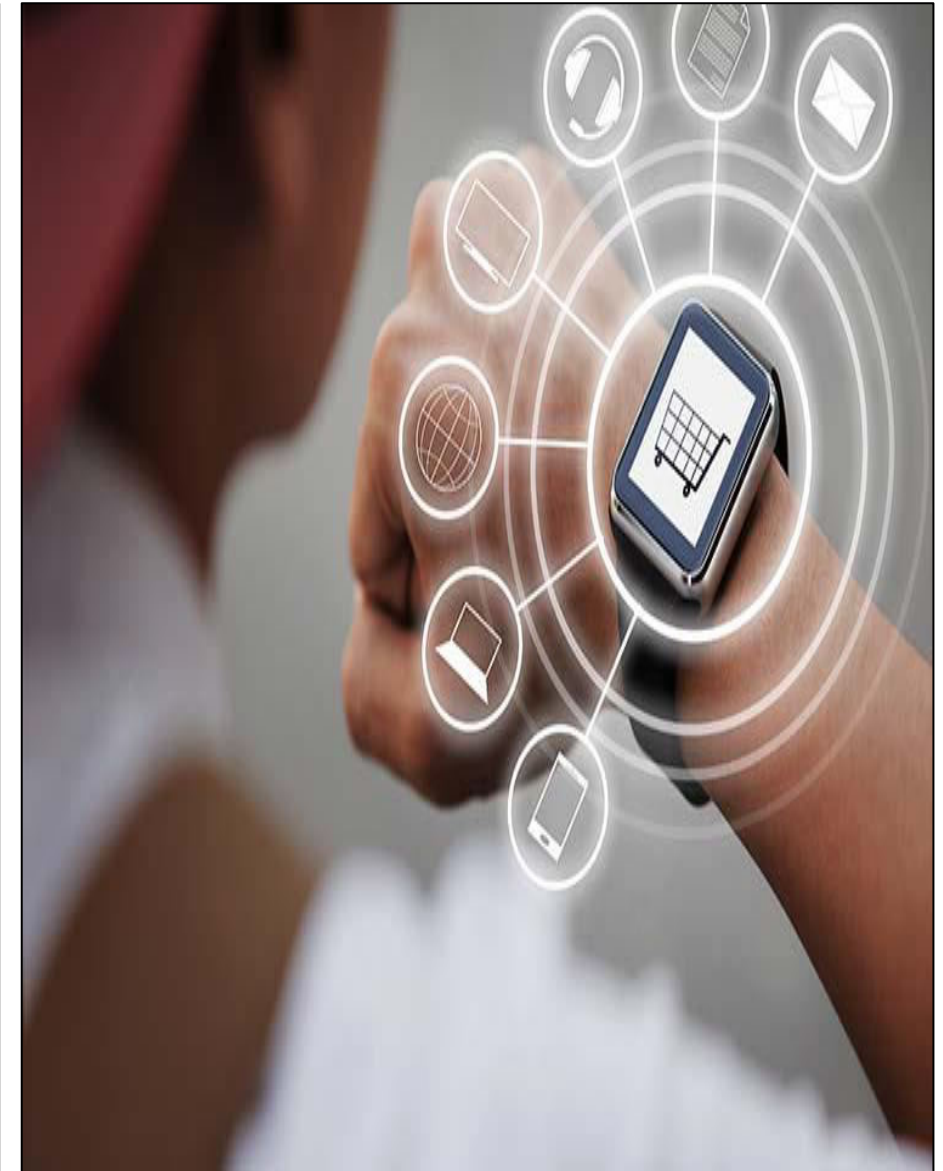
1. Being Future Ready
2. Company Snapshot
3. Industry Overview
4. Business Overview
5. Investment Rationale
6. The Cloutail shutdown – a favourable market situation
7. Implementation of ONDC Platform Clientele & Competition
8. Firstcry IPO will do the re-rating of Olympia
9. Financial Analysis
10. Ratio Analysis
11. Management Analysis
12. Risk & concern
13. Future Outlook
14. Statutory Disclosure





# Being Future Ready..

- ❑ Forecasting is all about predicting future. It helps to plan and take decisions regarding upcoming events and helps us to be in a better position.
- ❑ In share market also **we predict the company to be in a well position for future** and earn the maximum profit out of our decisions now. The **companies that we choose needs to be strong enough to deal with current tailwinds and become the best in future**. Our decisions today decides our future.
- ❑ **eCommerce industry is developing rapidly** after COVID-19. customers are understanding and accepting the online trend. Now a days people prefer online shopping as it is more convenient, cost saving and time saving. **Major players in eCommerce industry are Amazon.in, Flipkart, Bigbasket, etc.** all these companies have grown immensely in past few years. But they are **only platform provider, behind that there are many sellers who are using these platforms to sell their products and earns profits**.
- ❑ **Olympia Industries Ltd.** is a one such company, selling its products on amazon.in and growing rapidly. Olympia is **one of the top sellers on the platform**. The company is in the business from more than two decades. The company has also started pet product retail shops and its own apparel brand in past few years. **In recent quarter of FY23 the company has shown remarkable growth in revenue**.
- ❑ **The government has implemented ONDC platform** in few cities in India. It is a favourable step for the sellers like Olympia. Such policy changes will help the company to strengthen its market position. It is expected that the company will grow immensely once the ONDC platform will be implemented in whole India. **It is a right time to invest in a company which is going to be give solid performance in upcoming years**.



# Company Snapshot

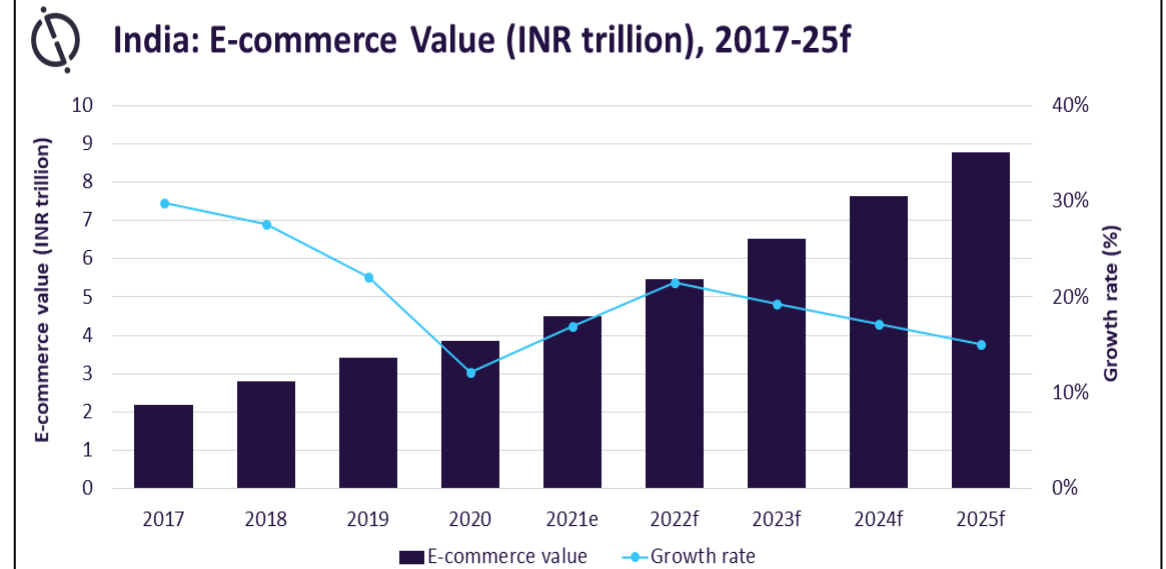
- ❑ **Single Phase Buying Strategy = Buy between INR 115-125 (CMP = 115 as on 6th Dec'22).**
- ❑ **Price Target = INR 250 in next 12 months & INR 1200+ in next 5 years. It can deliver ~40% CAGR over the period of next 5 years.**
- ❑ The company was **incorporated in 1987, in the business of E-commerce**. From FY21 the company has explored various new verticals.
- ❑ In addition to Brand store management, B2B Ecommerce, B2C Ecommerce, General trade & Modern trade, the company has started engagements in engaged in D2C Ecommerce.
- ❑ The company got listed on BSE in the year 2011.



<b>Market Cap : 70 Cr.</b>	<b>Current Price : ₹ 115 (6<sup>th</sup> Dec'22)</b>	<b>52 weeks high/low : 99.9/22.2</b>
<b>ROE : 0.66%</b>	<b>Stock P/E : 72</b>	<b>Dividend Yield : 0.00%</b>
<b>ROCE : 4.54%</b>	<b>Debt to Equity : 0.81</b>	<b>Dividend Payout : 0.00</b>
<b>Face Value : ₹10</b>	<b>Promoter Holding : 71.9%</b>	<b>Pledged Percentage : 7.72%</b>
<b>Sales growth (5Y) : 6%</b>	<b>Profit Growth (5Y) : - 40%</b>	<b>Cash Conversion Cycle : 67.2</b>
<b>Market Cap to sales : 0.10</b>	<b>Asset Turnover : 2.95</b>	<b>Enterprise Value : 93.7 Cr.</b>
<b>Debt : 40.8 Cr.</b>	<b>Book Value : 84 ₹</b>	<b>Price to book value : 1.04</b>

# Industry Overview

- ❑ **Indian e-commerce market is expected to reach \$120 billion by 2026** from as low of \$38 billion in 2021, and this exponential rise in retail and e-commerce businesses will fuel the economic **growth of the warehousing and logistics sector** in the country according to a new report.
- ❑ Additionally, COVID-19 has accelerated the growth of e-commerce across India. **Online shopping has increased significantly in Tier-II and Tier-III cities** as well due to the easy availability of the internet on cheaper tariffs and restrictions on physical movement during the time of the pandemic
- ❑ This **improved trend has provided an impetus to the warehousing and logistics sector** beyond tier-I cities. The constant push and ambitions for infrastructure development and policy support provided by the government is expected to ride the next wave of growth for the industrial, warehousing, and logistics sectors in India.
- ❑ **The warehousing market in India is expected to grow to 2243 billion by 2026, expanding at a CAGR of 10.90%.** The Indian ecommerce industry is playing a major role in this growth. Due to the pandemic induced lockdowns, consumers started to rely on online shopping. There was more focus on same day delivery model.
- ❑ Consequently **ecommerce companies are trying to stock more inventories to customers locations to improve the quality of products and optimize efficiency.**
- ❑ Changes in policy by the government and new initiatives to boost the ecommerce market will grow the industry further in upcoming years. **After the implementation of ONDC platform the need for warehousing and logistics will increase.**



# Business Overview

## Products & Services

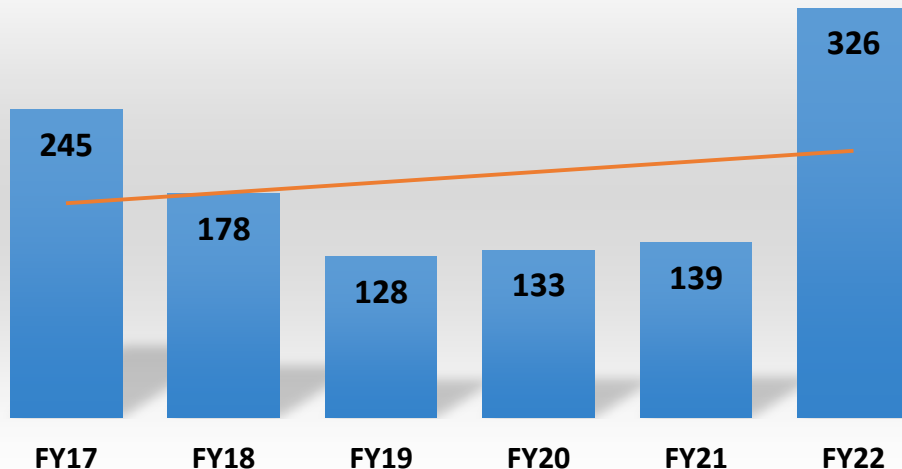
The company is now spreading its wings in **Marketing & Promotion of Baby care, Home & Kitchen and Beauty & Personal Care Appliances** products through E commerce on Amazon as SOA (Selling on Amazon), PSP (Platinum Seller Program) & FBA (Fulfillment by Amazon).

With more than **24000 products currently sold**, they have now introduced their **own Apparel brand** in the Market.

- ❑ The company has expanded its **own private brand “UMANAC”**.
- ❑ In FY21, the company has also **opened retail store of Pet products and accessories named PETOLY**.
- ❑ In FY22, company generated revenue from Trading sales ~**99%** and Claims ~**1%**
- ❑ The Company currently has **warehouse in Mumbai, Bengaluru and Gurgaon** to handle the massive requirements of consumers throughout the nation and is planning to expand in multiple formats to reach consumers.

## Sales

₹ In Cr.



Olympia Industries Ltd. Home About Us Categories International Brands Umanac PETOLY.in Seconds & Moments Investor Relations Career Sell your Products Contact Us

### DISTRIBUTION

We are trusted online distributor for more than 400 Brands of National and International reputes spanning across 15 categories covering over 24000 products in our online store.

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# Investment Rationale

3C Capitals



1. Cloudbail shutdown- A favorable market situation

2. Change in government policy

3. ONDC Platform will support business growth

4. Olympia is one of the top sellers on Amazon

5. Experienced and focused management

6. New venture of the company PETOLY

# The Cloutail Shutdown – A Favorable market situation

- ❑ If you have ever tried to buy or sell products on Amazon, you must have come across this brand “Cloutail India”. It used to be the largest seller on Amazon in India but has recently ceased its operation.
- ❑ This **joint initiative of Amazon and Catamaran Venture** was shut down on 19th May 2022 leading to the end of a seven-year-long partnership between the two well-recognized organizations.
- ❑ **Catamaran Venture is a venture capital firm** i.e. it funds the startups or other organizations that require capital. Amazon started functioning in India in 2013. It was the time when the online market in India was least developed and Amazon had to work hard to get customers.
- ❑ For this reason, **in 2014, Amazon India and Catamaran Venture initiated a joint venture under the name Prione Business Services**. The basic objective of this venture was to bring more small retailers and businessmen online. However, in the same year i.e. 2014, **Prione also established its very own subsidiary company in India, under the name “Cloutail India Pvt. Ltd.” which was engaged in the B2C retail business**.
- ❑ **Under Prione’s ownership, Cloutail worked as an online retailer and by the end of 2020**, it was selling over 30 lakh products under multiple categories such as fashion, apparel, appliances, media, consumables, etc. on Amazon. No doubt, Cloutail India became the largest seller on Amazon.
- ❑ The normal procedure for retailers **to sell their products on Amazon includes registering themselves on the website**. After this, the sellers list their products on the website with the price that also includes the profit share of Amazon. Generally, this **profit share lies between 5-25%** depending on the product category and price. This share includes **commission, fixed fees, and other similar charges**. The price of the product increases as the **vendor has to pay delivery charges to Amazon which start from Rs. 82/- onwards**. Moreover, these sellers also have to bear the **promotion charges** for their product which again adds to the price of the product. Therefore, the prices at which the customer has to buy the products of these brands are quite higher in comparison to what the seller would offer without including these charges.
- ❑ However, **as Amazon had its own equity in Cloutail India Pvt. Ltd. the company does not pay any commission to Amazon for listing or selling its products. There is no delivery or promotion fee included for any of the products sold by Cloutail**.



*"India's most customer centric retailer"*





- ❑ Due to this the **prices of the products obviously remain quite low in comparison to its competitors**. This gave Clouddtail India an edge over other retailers.
- ❑ **As per the law**, India prohibits Foreign Direct Investment (FDI) in inventory-based models for eCommerce. This means that the companies such as **Amazon and Flipkart are only allowed to work as a marketplace**. These companies are only permitted to provide platforms to other sellers or merchants or businesses to enlist their products and sell them but **they cannot list their own products on the platform**.
- ❑ Due to this legal concern, **a number of objections were being raised by other retailers and merchants selling their goods on Amazon** about the close partnership between Amazon and Catamaran Venture.
- ❑ To abide by this law, **Catamaran Ventures 2019 increased its stake in Clouddtail India from 51% to 76%**. Thus, the stake of **Amazon in the joint venture was reduced from earlier 49% to 24% later**.
- ❑ **In 2019, Delhi Vyapar Mahasangh (DVM) submitted a plea with the Competition Commission of India (CCI) against Amazon and Flipkart**.
- ❑ In this regard, the Director-General of the Competition Commission of India launched an inquiry for alleged violation of Section 3 of the Competition Act, in January 2020.
- ❑ **As changing regulatory environment and unfavorable eCommerce operating guidelines, both the companies announced the end of their seven-year-long partnership**. This decision will provide small businesses and other online retailers and vendors a level playing field. Strict regulatory rules were required in this field for a long time which have now been implemented.
- ❑ **It is also assumed that during this period the Olympia Industries might have faced many challenges** to earn the profit and sale their products. However, the management has not reduced their shareholding in the company. It is expected that the management is very enthusiastic and dedicated to the company. From March 2020 sales of the company shoot up and by the end of March 2022 sales growth is 134%. It indicates that now the company is again in a strong position in the marketplace. It is expected that such favorable situation will enable the company to grow immensely in the market.



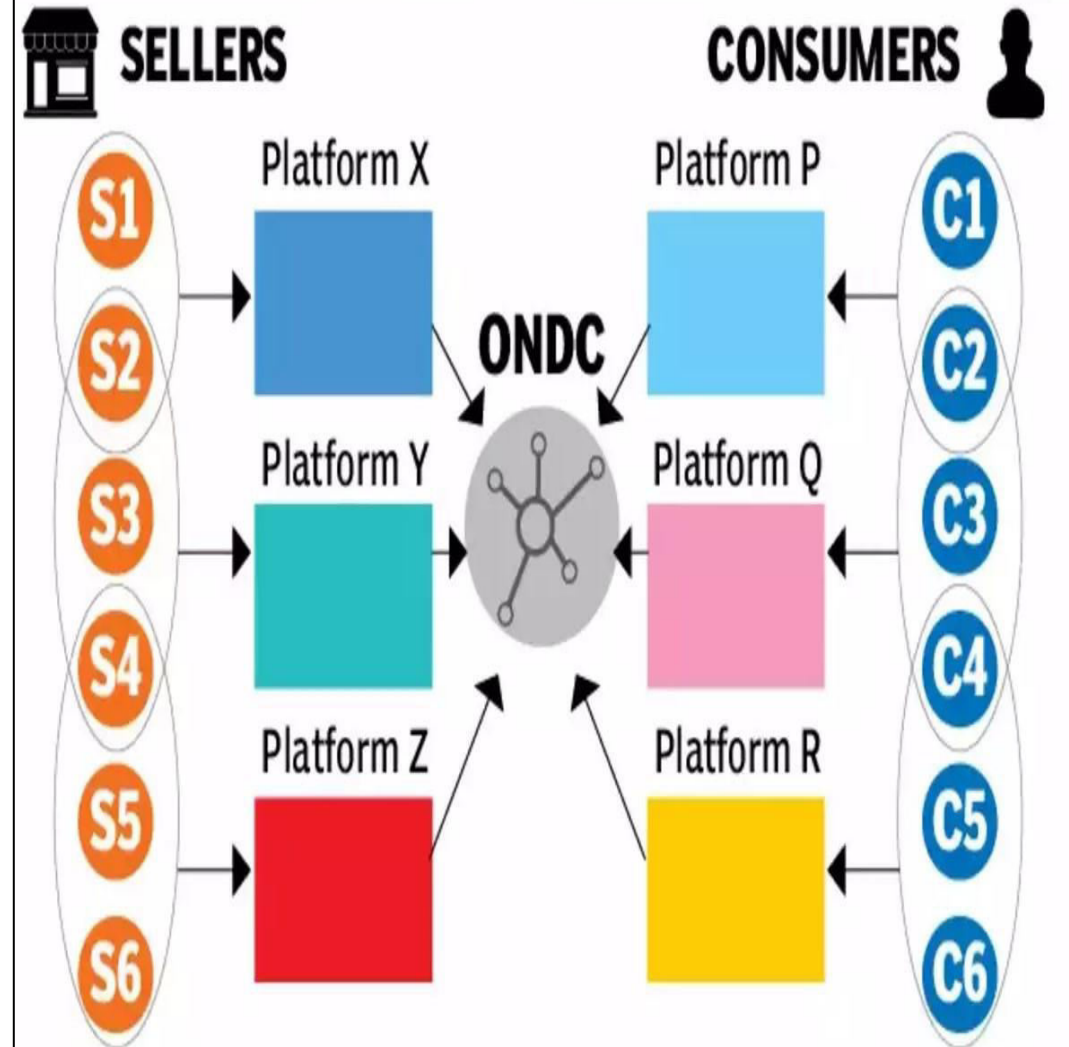
# An ONDC Platform

- ❑ India is working on a “open network for digital commerce” (ONDC), that would soon bring almost 6 crore small mom-and-pop stores or neighborhood shops onto a platform, where their goods would become visible to consumers. **Integration of all e-commerce platforms onto a common network, enabling each player to be discoverable by a wider market, will help them survive the onslaught of big e-commerce giants.**
- ❑ **The beta testing is on right now.** They plan to start it in one or two cities. A well tried and tested version that is able to handle large volumes. They will integrate the one district, one product (ODOP ) on this platform,”
- ❑ **It is being developed as a counter to the current duopoly in the Indian e-commerce market** which is largely dictated by Amazon and Walmart-owned Flipkart.
- ❑ In theory, **ONDC may enable more sellers to be digitally visible**, which means that for online buyers, it could present increased options at a number of different price points.

## ONDC benefit to Olympia Industries Ltd.

Once ONDC will start, it will enable the company to sell its products to **huge customer base**. **Olympia will be able to sell products directly to end customer which will eliminate the interference of any eCommerce platforms like Amazon & Flipkart.** This will also enable the company to **slight increase in margins** and high profits. More customer means more orders to the company and that will generate more revenues to the company. After this platform also the company can sale their products on Amazon and Flipkart. **It is expected that the company will be in huge benefit once the platform will run in the whole India.**

## Transactions Across Platforms

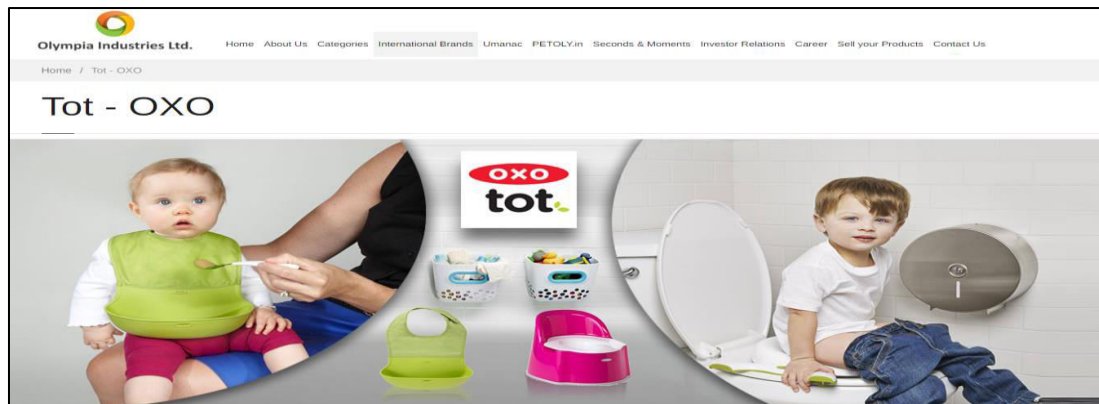


# Firstcry IPO will do the re-rating of Olympia

- ❑ Founded in 2010 by Supam Maheshwari and Amitava Saha, **FirstCry** offers different categories of baby and kids products from clothing to other essentials.
- ❑ The startup boasts of having an online presence along with a retail footprint of over 300 stores across 125 cities. The Pune-based startup claims to offer 200K baby and kids products across 2,000 brands.
- ❑ **FirstCry entered the unicorn club in 2020 after raising \$296 Mn in its Series E round from Japan's SoftBank.**
- ❑ Further, it is eyeing for an IPO late this year and has already roped in Kotak Mahindra, Morgan Stanley, among others.
- ❑ Japanese fund **SoftBank** and NewQuest Capital Partners are reportedly looking to sell some shares in **FirstCry** in the secondary market before the company's planned IPO in the next few months. They are valuing the company at \$3.5 to \$4 billion from the share sale.
- ❑ SoftBank is planning to reduce its 29 percent stake in FirstCry to under 25 percent with the sale. The Masayoshi Son-led venture fund is the largest shareholder in the company at present. FirstCry has held talks with Mumbai-based private equity firm Kedaara Capital to participate in this secondary round. **Soft bank is looking to sell 4% of shares in the company.**
- ❑ **FirstCry is currently valued at \$2.7 billion after the latest investment of \$315 million led by Premji Investment earlier this year. Premji Invest currently holds around 9-11 percent stake in the company, while other large shareholders include Mahindra Retail (12-13 percent) and US-based private equity firm TPG (5-6 percent).**
- ❑ Olympia Industries is also selling some brands specific for newborn and kids. IPO-bound FirstCry eyes \$4B valuation, its FY20 revenue was 814 Cr & loss of 191 Cr, FY21 revenue was 1603 Cr and profit of 216 Cr. It means they are expecting a valuation of Market Cap / Sales of ~ 20x while Olympia is available at just 0.12x (although not exactly comparable).

## Brands sold by Olympia

OXO tot  
Hauk  
Kidsme  
Wilton  
OKbaby



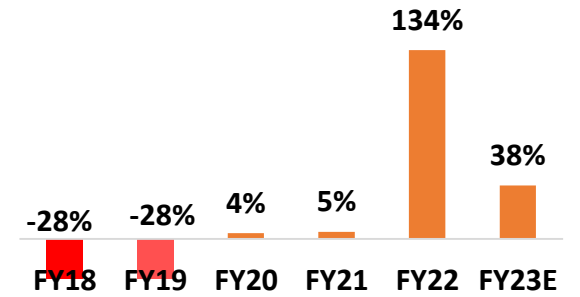


# Financial Analysis

Particulars	Actual						Quarterly Results		Projected
	FY17	FY18	FY19	FY20	FY21	FY22	Q1 FY23	Q2 FY23	FY23
Revenue (INR Cr.)	245	178	128	133	139	326	178.22	101.71	450
Operating Profit (INR Cr.)	8	4	0	-1	2	4	1.14	1.17	4.5
Operating Margin (%)	3%	2%	0%	-1%	2%	1%	0.64%	1.17%	1%
Net Profit (INR Cr.)	4	2	1	0	0	1	0.25	0.17	0.67
Net Profit Margin (%)	1.63%	1.12%	0.7%	0%	0%	0.31%	0.14%	0.17%	0.15%

- ❑ Revenue has shown growth of 134% in FY22. It is expected that such remarkable growth is due to their successful business vertical, PETOLY and change in government policy. In Q1 FY23 the company has shown remarkable Y-O-Y growth of 662%. In Q2 FY23 the company has shown Y-O-Y growth of 259%. Margins are little low in two quarters which is expected to be due to festive discounts given by the company.
- ❑ The OPM is declined to 1% from 2% in FY21. The net profit is 1 Cr. In FY22. It indicates growth of the company as the company has earned profit after 2 years.
- ❑ Interest cost is reduced by the company by repaying debt. Interest cost is increased in Q2FY23 as debt is also increased.
- ❑ Companies like Olympia, increase in revenue or high revenue indicates business growth. The margins in such businesses will always be low. But if revenue will grow continuously then after some point the profits will be stable in the business. In long run the business will do well.
- ❑ It is expected that in FY23 the revenue will grow by 38% or more after ONDC platform will start. Increase in revenue will help the company to earn approximately 0.67 Cr. Of net profit. The company is not paying dividend as they believe to keep the money in the business.

## Sales Growth

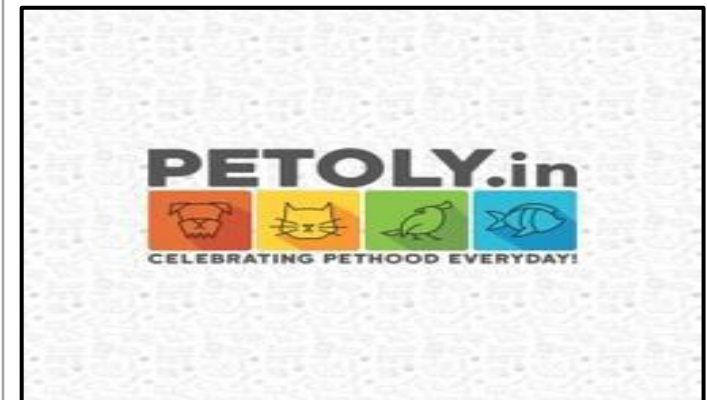
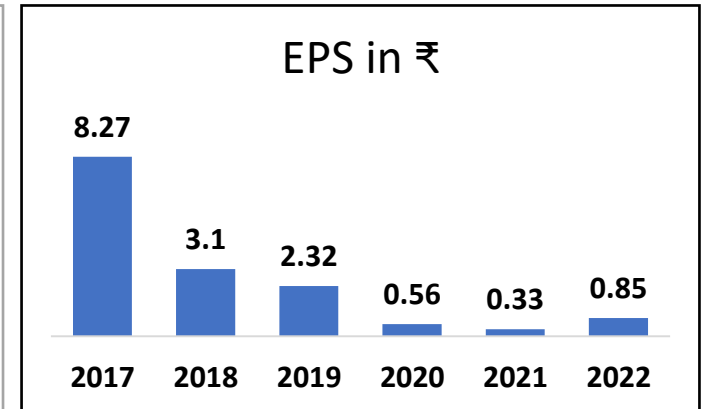
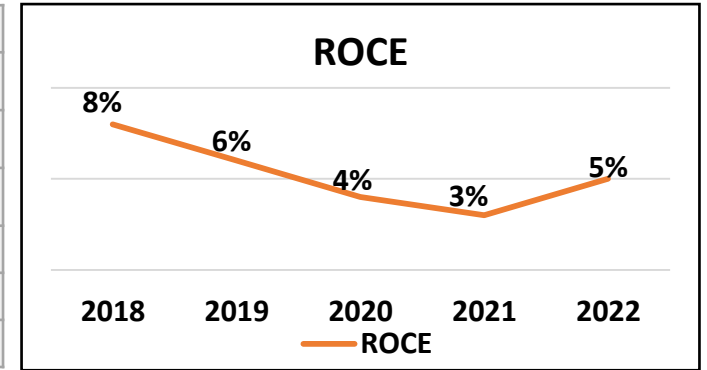


Future revenue will also be driven by implementation of ONDC platform to few cities of India like Delhi-NCR, Bengaluru, Coimbatore, Bhopal, Shillong. It is expected that revenue will increase immensely once it will be implemented in whole India.

# Ratio Analysis

Particulars	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Debtor Days	19	47	65	63	59	53
Cash Conversion Cycle	50	113	175	148	158	67
Working Capital Days	31	59	85	82	93	42
ROCE %	19%	8%	6%	4%	3%	5%
EPS in ₹	8.27	3.10	2.32	0.56	0.33	0.85
Asset Turnover Ratio	3.14	2.00	1.6	1.66	1.61	2.94

- ❑ **Debtor days and working capital days have improved** in FY22 as revenue has improved. The cash conversion cycle is also improved to 67 days. This will increase the cash flow in the company in near future.
- ❑ **The D/E ratio is increased to 0.81% in FY22.** The company has taken loan for their business vertical PETOLY and it may increase debt as the company may require more funds to meet short or long term capital requirement.
- ❑ **ROCE is improved to 5%.** It is expected to improve further.
- ❑ **The asset turnover ratio is also improved to 2.94 in FY22** as the revenue has increased.
- ❑ It is expected that ratios will improve in FY23 with improvement in business of the company.
- ❑ **Trade payables and trade receivables have increased immensely in FY22** as the company might be in a developing mode right now.
- ❑ **Previous year the company has spent 1 Cr. As CWIP which is expected for the store of PETOLY.** It is also expected that it as shown the results in growth of revenue in FY22.
- ❑ **The company has purchased 0.74 Cr. Of fixed assets in FY22.** It indicates developments in the company.



# Management Analysis & Shareholding %

Historically, the company started with manufacturing of Dyed and Blended yarns in Gujarat and Maharashtra. Presently with the company's state of art technology and its insurmountable passion for excellence the company is now spreading its wings in Marketing & Promotion 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).



## Mr. Navin Pansari, Chairman & Managing Director

Mr. Navin Pansari is a B. Com, FCA and IIM (A). He is largely responsible for the efficient operations of the Company. He has good experience and marketing knowledge of computer peripherals and other IT products, Home and kitchen appliances, and other FMCG products. He is also a Promoter of the Company. He will manage the whole business and affairs of the Company.



## Mr. Anurag Pansari, Vice President

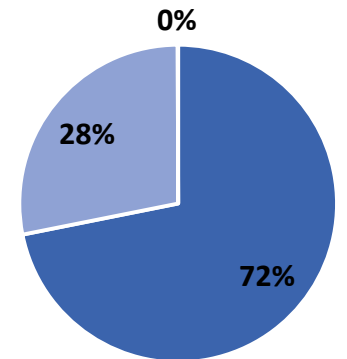
Mr. Anurag Pansari was appointed as a non-executive director in 2013. Mr. Anurag Pansari is an MBA. He is largely responsible for the efficient operations of the company and its excellent marketing performance. The board has decided to elevate him as a Managing director of the company in March, 2015. In July, 2015, Mr. Anurag Pansari has resigned from the board for his further studies. From the year 2018 he again joined the company as a Vice President. Currently he holds 12.45% of stake in the company.

## Mr. Chirag Pansari, Business head – Offline Retail & Founder of PETOLY.in

He has done GFMB from S P Jain School of Global Management, Bsc from Russell Square International College. He has founded PETOLY.in which is a successful vertical of the company.

## Shareholding %

■ Promoters ■ Public ■ DII



*Here, it needs to be noted that the promoters of the company are running the company since last 34 years and has not sold their stake in the company from many years. It indicates that the promoters are confident and focused on the company. During tough time for the company also they have stayed strong. It is expected that Mr. Anurag Pansari will be MD in future as he was once appointed as MD in 2015.*



## Low Profit Margins

- ⑩ The company is in the business where **margins are very low**. If the revenue is increased to certain extent then only the company can earn sufficient profit. This **takes few years to earn significant profit**. **Low margins and high expenses eventually lead to more borrowings and high interest cost.**

## Competition

- ⑩ Due to easy access to online platforms, small sellers are also selling their products through ecommerce platforms. **High competition in the market will restrict company's ability to earn profit. Eventually margins need to kept low.**

## Change in Policy

- ⑩ The company got benefited from a policy change by the government but **it is also possible that if there is any change in policy which may not be favorable for the company. E.g. tax etc.**



# Future Outlook

Particulars	Actual	Projected			
	FY22	FY23	FY24	FY25	FY26
Revenue (INR Cr.)	326	450	630	882	1235
Operating Profit (INR Cr.)	4	4.5	9.45	13.23	18.52
Operating Margin (%)	1%	1%	1.5%	1.5%	1.5%
Net Profit (INR Cr.)	1	0.67	1.6	2.2	3
Net Profit Margin (%)	0.31%	0.15%	0.25%	0.25%	0.25%

- ❑ Here, it is **expected that the revenue will grow by 38% in FY23 (calculated as per Q1&Q2FY23 results)**. It is expected that the margins will remain same as of previous year. From **FY24 the company will grow by 40% and margins will improve** as the company will be well settled with ONDC platform in upcoming years. **It is expected that the revenue will grow to 1235 Cr. By FY26 and net profit will be approx. 3 Cr. In FY26.**
- ❑ During the year the company has been providing quality controlled products to online customers at the **best prices with the closest and fastest delivery time**, maintaining in **stock availability to meet customer demands at the time that he needs it, lower the cost** by benefiting from economies of scale, innovate by way of creating e-commerce **specific bundle/combo**s leading to lower cost of execution, **season/festival specific, customized/personalized offerings** which has created positive impact on the company's vision.
- ❑ The company will be benefited with **implementation of ONDC platform** in whole India. The stores run by the company, **PETOLY** will also be well positioned in upcoming years.

**Sales can grow multi-fold (~ 200%) in the next 4-5 years, green shoots are visible from Q3FY22 (Sep '21) onward. TTM Sales of 554 Cr & Market Cap just 70 Cr???**

- ❑ Company used to have a quarterly run rate of 30-50 Cr till Sep '21. We have witnessed a sudden jump in the quarterly sales number from Dec'21 quarter and it continued till Sep'22 quarter. **Now the average run rate is 130-150 Cr per quarter, a jump of 200%.**
- ❑ FY21 Sales was 139 Cr Vs FY22 Sales of 326 Cr, increase of 134%. Again TTM Sales is 554 Cr shows that the company is on an exponential growth path. **We expect Olympia to grow ~ 200% in Sales during next 4-5 years, expected Sales of FY26 will be around 1200 Cr.**
- ❑ **ROCE has improved to 4.54% in FY22.** EPS has increased to 0.85 as profits improved in FY22. Asset turnover ratio is 2.94. D/E ratio is 0.81, net worth of the company is 50.6 Cr In FY22.
- ❑ Favorable market condition will help the company to grow rapidly and achieve desired results in upcoming years.

**SEBI Research Analyst Registration No. : INH200006451**

1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.