

July 22, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan	10.00	SMERA B-/Stable (Assigned)
Cash Credit	3.50	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA single B Minus**) to the abovementioned bank facilities of O Life Private Limited (OLPL). The outlook is '**Stable**'. The rating is mainly constrained by the company's nascent stage of operations in an intensely competitive segment of the garments industry. The rating is further constrained by the company's exposure to changes in customer preferences and fashion trends. However, the rating is supported by the company's experienced management.

OLPL, incorporated in February 2013, is a Pune-based company engaged in retailing men's wear. OLPL has set up a 14,000 sq. ft. showroom (named Bold & Elegant) in Pune, Maharashtra at total project cost of ~Rs.16.75 crore. The aforementioned showroom comprises seven sections viz. casual apparels and accessories, formal wear, ethnic wear, suiting and shirting, *kurta chudidar* and *pathani*, tailoring and exclusive studio. OLPL commenced commercial operations in March 2014. The company reported revenues of ~Rs.2.00 crore during March 14, 2014 to April 15, 2014. The project cost of the showroom (~Rs.16.75 crore) was funded through promoter's contribution of Rs.6.75 crore and bank loan of Rs.10.00 crore. The repayment of the term loan will commence from July 2014. OLPL has also availed cash credit limit of Rs.3.50 crore for working capital requirements. SMERA believes OLPL's debt repayment ability may be adversely affected in case of shortfall in targeted revenues.

OLPL's group entities (engaged in retailing of readymade garments) reported modest consolidated revenues of Rs.9.00 crore in FY2011-12 (refers to financial year, April 01 to March 31). OLPL faces intense competition from several small and medium-sized retailers in the unorganized sector of the garments industry. The company also competes with large-format retailers. OLPL's business operations are susceptible to changing customer preferences and varying fashion trends.

OLPL benefits from its experienced management. The company's promoters have around five years of experience in retailing readymade garments.

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Outlook: Stable

SMERA believes OLPL will maintain a stable business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected net cash accruals, or in case of higher-than-expected increase in the company's debt-funded working capital requirements. The outlook may be revised to 'Positive' in case the company generates higher-than-expected net cash accruals while achieving a comfortable capital structure.

About the company

OLPL, incorporated in February 2013, is a Pune-based company promoted by Mr. Rahul Birla, Mr. Nikhil Jaju, Mr. Nilesh Laddad and Mr. Vyankatesh Rathi.

OLPL is engaged in retailing of men's wear. The company has set up a 14,000 sq. ft. showroom (named Bold & Elegant) in Pune, Maharashtra. OLPL commenced commercial operations on March 14, 2014. The company reported revenue of ~Rs.2.00 crore during March 14, 2014 to April 15, 2014. OLPL's net worth stood at Rs.3.00 crore as on December 31, 2013.

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