

Press Release

O Life Private Limited (OLPL)

17 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.13.50 Cr
Long Term Rating	SMERA B-/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B-' (read as SMERA B minus)**' on the Rs. 13.50 crore bank facility of O Life Private Limited (OLPL). The outlook is '**Stable**'.

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. The company sells readymade garments for men.

List of key rating drivers and their detailed description

Strengths:

Experience of the promoters in the readymade garment business: Promoted and incorporated by Mr. Rahul A. Birla, Director in 2013, the company has more than two decades of experience in the aforementioned business.

Weaknesses:

Moderate scale of operations: OLPL has moderate scale of operations with operating income of Rs.9.90 crore in FY2015-16. The revenue registered a fall in FY2016 by around 2 per cent over that of FY2015 (Rs.9.96 crore). OLPL registered operating income of Rs.10.00 crore from April to December 2016.

Low profitability: The company registered moderate operating margins of 8.86 percent in FY2015-16 as against 3.93 percent in FY2014-15. However, OLPL reported net loss of Rs.0.76 crore in FY2015-16 and Rs.0.93 crore in FY2014-15 due to high interest payment obligations.

Weak financial risk profile: The weak financial risk profile is marked by low coverage and gearing indicators. The Interest coverage ratio stood at 0.57 times and debt service coverage ratio (DSCR) at 0.49 times in FY2016. Further, the company has gearing (debt to equity) of 1.27 times as on 31 March, 2016.

Working capital intensive operations: OLPL has working capital intensive operations marked by GCA (gross current assets) of 180 days in FY2016 and 194 days in FY2015. The company has high inventory of 174 days in FY2015-16. However, the working capital cycle is comfortable due to liberal terms from suppliers. The creditor days have been around 101 in FY2016.

Intense market competition: The company is exposed to intense market competition in the highly unorganised and competitive retail garment business.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of OLPL.

Applicable Criteria:

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments -<https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' in case of sustained and substantial increase in scale of operations and profitability leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower accruals due to decline in revenue or profitability. Any debt-funded capex undertaken by the company resulting in weakening of the liquidity profile may also entail a 'Negative' outlook.

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. The company is engaged in the retailing of readymade garments for men through its showroom, Bold & Elegant in Pune, Maharashtra.

For FY2015-16, the company reported net loss of Rs.0.76 crore on operating income of Rs.9.90 crore, as compared with net loss of Rs.0.93 crore on operating income of Rs.9.96 crore in FY2014-15. The net worth stood at Rs.8.03 crore as on March 31, 2016 as against Rs.6.81 crore a year earlier.

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	10.00	SMERA B-/ Stable (Reaffirmed)	-	-	21 Oct, 2015	SMERA B-/ Stable (Reaffirmed)	22 July, 2014	SMERA B-/ Stable (Assigned)
Cash Credit	LT	3.50	SMERA B-/ Stable (Reaffirmed)	-	-	21 Oct, 2015	SMERA B-/ Stable (Reaffirmed)	22 July, 2014	SMERA B-/ Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	November 2013	N.A.	October 2020	10.00	SMERA B-/Stable (Reaffirmed)
Cash Credit	N.A.	N.A.	N.A.	3.50	SMERA B-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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