May 24, 2024

Oma Living Private Limited: [ICRA]BBB-(Stable)/[ICRA]A3; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Term loans	20.00	[ICRA]BBB-(Stable); assigned
Long term / Short term - Fund based limits	35.00	[ICRA]BBB-(Stable)/[ICRA]A3; assigned
Total	**55.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in the established brand presence of Oma Living Private Limited (OLPL), aided by the experience of the promoters and management in the retail industry. OLPL, established in FY2007 as a lifestyle home décor company to undertake retail sale of premium lifestyle products, has a diversified geographical presence with 13 retail stores across nine states and union territories as on date. The company has plans to add five new stores over FY2025 and FY2026, which will further increase the retail space /geographical reach and is expected to aid in increasing the scale of the company's operations over the medium term. The company's revenues have witnessed a CAGR of 11% over the past five years to Rs. 79.6 crore in FY2024 from Rs. 46.7 crore in FY2019. The company caters to a niche segment of population owing to its premium brand appeal. Steady footfalls and good reputation aided in a healthy growth of revenues till FY2023. The trend reversed in FY2024 owing to slowdown in footfalls. Nonetheless, the company is expected to post a strong revenue growth over the medium term owing to rise in retail space following addition of new stores.

However, the ratings are constrained by the company's modest scale of operations and financial risk profile. Although OLPL's revenues improved at a CAGR of ~11% between FY2019 and FY2024, the scale of operations remained modest with revenues of ~Rs. 80 crore in FY2024. The ratings are further impacted by the intense competition in the retail sector due to the presence of numerous unorganised as well as organised players in the brick-and-mortar as well as online segments. The business is also characterised by high working capital intensity and the risk of high inventory on its books.

ICRA notes that the company's operating margins moderated in FY2024 mainly because of increase in marketing and employee expenses. Additionally, the company is in the middle of an expansion plan, with capex outlay to open new stores, leading to an increase in the debt levels of the company. This has led to weakening in debt coverage indicators with an interest coverage of 2.7 times in FY2024 against more than 10 times in the previous three fiscals and total debt/OPBDITA of more than 8.0 times, as per FY2024 provisional financials. However, an increase in the scale of operations is likely to help the company report higher earnings and lead to an improvement in the debt coverage indicators, going forward.

The Stable outlook on OLPL's long-term rating reflects ICRA's opinion that the company will continue to benefit from its premium brand appeal, helping it record a healthy increase in its scale of operations/earnings, and maintain its credit profile.

Key rating drivers and their description

Credit strengths

Established brand and track record of promoters and management in retail industry – The promoters' extensive experience in the business along with the company's ability to report healthy year-on-year (YoY) growth in revenues provides comfort. The company operates under the brand name of Oma and Casa. The revenues have increased at a CAGR of 11% between

FY2019 and FY2024, backed by opening of new stores, rising footprint in new markets, as well as an increase in footfalls in the existing stores.

Diversified geographical presence and product offerings across multiple segments – OLPL has an operational store portfolio of 13 stores spread across nine states/union territories and primarily competes with organised players. The retail space has increased from ~31,000 sq. ft. in FY2022 to ~41,000 sq. ft. in FY2024 and is further expected to rise to 75,000-80,000 sq. ft. by the end of FY2026 following opening of new stores and expansion of the current stores. The company earns the major portion of its revenues from the décor segment, which contributes 50-55% to the overall revenues followed by the furnishing segment, contributing 20-25% of overall revenues. The company also has products in lighting, furnishing and bathroom décor segments, thus providing ample offerings with various products.

Established relationships with vendors – The company procures a major part of its products from overseas markets, where it participates in various fairs, auctions and exhibitions. The company has an established vendor management system with advance payments made to suppliers for the larger part of the procurement. Prompt payments have led to established relationships with the suppliers across the years.

Credit challenges

Scale of operations and financial risk profile remain modest – Although the company's revenues rose at a CAGR of 11% over the past five years, the overall scale of operations remained modest with revenues of Rs. 79-80 crore in FY2024 as per provisional financials. This constrains the ability of the company to attain operating leverage benefits arising out of the economies of scale. The company's financial profile has moderated in the past two years with inclusion of external debt to fund the ongoing expansion plans and rising working capital requirements. The company's profitability rose significantly in FY2022 and FY2023 with the OPM improving to 27% and 24%, respectively from 8-9% in the previous fiscals with increase in the scale of operations. The same, however, moderated to ~15% in FY2024 (provisional financials) with increase in operating expenses towards opening of new and existing stores. Further, increased rental expenses and rising selling expenses for brand promotion also impacted the profitability to an extent.

With increase in debt and subdued profitability, the capital structure of the company moderated in FY2024 and is expected to remain modest in the near term amid ramping up of new stores. The capital structure is partly supported by interest-free unsecured loans from the promoters, which aided in capex in the previous years and provided liquidity comfort.

Exposure to foreign exchange rate fluctuations with majority of procurement from overseas markets – As most of OLPL's (traded) products are imported and mainly sold in the domestic market, its margins are exposed to fluctuations in foreign currency rates. Further, its gross margin remains vulnerable to movement in the rupee and fluctuation in input prices, though OLPL attempts to pass on the same to its customers through periodic price revision.

High working capital requirement for maintaining high inventory – The company's business is highly working capital intensive as it maintains adequate inventory across the stores to meet the demand. As the company imports most of the products, the lead time for arrival is substantially long, which leads to elongated inventory holding, resulting in working capital intensity of around 40% of the operating income. The inventory holding has further increased in the past two years to more than 350 days as the company has procured materials for its new stores. Going forward, a judicious management of the inventory to keep the working capital borrowing levels under check will remain a key monitorable.

Liquidity position: Adequate

OLPL's liquidity position is **adequate** with expected cash flow from operations of more than Rs. 10 crore against annual repayment obligations of Rs. ~3 crore in FY2025. Further, the company has a buffer of Rs. 10-11 crore in working capital limits as of February 28, 2024. Over the years, the promoters have supported the growth requirements of the company through interest free unsecured loans, which provided enough liquidity comfort and the same is expected to continue going forward.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant scale-up in revenues and profitability of the company, leading to an improvement in the financial risk profile. Specific credit metrics that could lead to ratings upgrade include OPBITDA/Interest of more than 3.5 times on a sustained basis.

Negative factors – The ratings could witness a downward revision in case of any adverse impact on the earnings of the company, leading to a material deterioration in debt protection metrics. Further, higher working capital requirement, leading to an adverse impact on the liquidity position of the company, may trigger ratings downgrade. Specific credit metric for downgrade includes OPBITDA/Interest decreasing to less than 2.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Oma Living Private Limited was established in FY2007 as a lifestyle home décor company to undertake retail sale of premium lifestyle products. The company had set up its first store in Khan Market, New Delhi. At present, it is operating in nine states and union territories that include Delhi, Chandigarh, Uttar Pradesh, Telangana, Tamil Nadu, Karnataka, Maharashtra, Gujarat and West Bengal and has 13 retail stores. The products consist of decor, tabletops, wine & dine, bath, flowers & wall arts, lighting, furniture, etc. The company is promoted by Mrs. Charu Munjal, wife of Mr. Pankaj Munjal, Promoter and Managing Director of Hero Cycles Limited group. She has a 99.99% shareholding in the company and the balance is held by her sons, Mr. Aditya Munjal and Mr. Abhishek Munjal.

Key financial indicators

OLPL – Standalone	FY2022	FY2023	FY2024*
Operating income	56.1	77.3	79.6
PAT	10.2	13.8	4.8
OPBDIT/OI*	26.9%	23.5%	15.2%
PAT/OI	18.1%	17.8%	6.1%
Total outside liabilities/Tangible net worth (times)	1.9	1.7	2.3
Total debt/OPBDIT (times)	2.8	3.0	8.1
Interest coverage (times)*	23.0	9.6	2.7

*Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Amount Outstanding as of Dec 31, 2023 (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					May 24, 2024	-	-	-
1	**Term loans**	Long term	20.00	7.85	**[ICRA]BBB-(Stable)**	-	-	-
2	**Fund based limits**	Long term and short term	35.00	-	**[ICRA]BBB-(Stable)/ [ICRA]A3**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based – Term loans	Simple
Long term / Short term - Fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loans**	FY2024	NA	FY2029	20.00	[ICRA]BBB-(Stable)
NA	**Fund based limits**	NA	NA	NA	35.00	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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