



## Press Release

**Opera Global Private Limited**

**July 12<sup>th</sup>, 2023**

### **Ratings**

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities / Short Term Bank Facilities	32.40	IVR BB+ / Stable / IVR A4+ (IVR Double B plus with Stable Outlook/ IVR A Four Plus)	Assigned	Simple
<b>Total</b>	<b>32.40</b>	<b>(Rupees Thirty-two crore and forty lakh Only)</b>		

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The rating assigned to the bank facilities of Opera Global private limited(OGPL) draws comfort from its experienced promoters with growth in Scale of operation. However, these rating strengths are partially offset by low profitability, elongated working capital cycle, susceptibility of profitability to fluctuation in input prices, intense competition prevalent in the textile industry and availability of cheaper substitutes, customer concentration risk, vulnerability to Regulatory Risk and changing trends and moderately leveraged Capital Structure and average debt coverage indicators.

### **Key Rating Sensitivities:**

#### **Upward Factor:**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with improvement in debt protection metrics

#### **Downward factor:**



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- Dip in operating income and/or profitability impacting the debt coverage indicators.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive Experience of promoters**

OGPL is managed and promoted by Mrs. Rakesh Verma having four decades of experience and other promoters having two-decade-long experience in the textile industry. Their strong understanding of the market dynamics and healthy relationships with suppliers and customers will continue to support the business. It has a large customer base comprising of players from Europe and Middle East Countries.

- **Growth in Scale of operation albeit low profitability: -**

The total operating income of the company registered a CAGR of 11% during FY20 to FY23 with increase in total operating income in FY23 by 68.11% to Rs. 135.24 Crores in FY23 as against Rs. 80.45 Crore in FY22. The company witnessed increase in its operating income in FY23 due to increase in sales volume and sales realization of its products. EBITDA increased to Rs. 6.41 Crore in FY23 as against Rs. 3.38 Crore in FY22. EBITDA margin increased by 54 BPS from 4.20% in FY22 to 4.74% in FY23 due to low raw material consumption cost. With increase in total operating income, absolute PBT and PAT has also increased from Rs 0.57 crore and Rs 0.42 crore in FY22 to Rs 3.37 crore, Rs 2.43 crore respectively in FY23 with gross cash accruals improving from Rs 1.00 crore in FY22 to Rs. 2.97 crore in FY23. The PAT margin



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increased by 127 BPS and stood at 1.80% in FY23 as against 0.53% in FY22 due to improvement in EBIDTA margin and lower depreciation.

### **Key Rating Weaknesses**

- **Elongated working capital cycle**

OGPL's operating cycle improved from 189 days in FY22 to 127 days in FY23 due to decrease in collection period from 62 days in FY22 to 36 days in FY23 and decrease in inventory period from 149 days FY22 to 102 days in FY23 with an increase in scale of operations but continued to remain elongated.

- **Susceptibility of profitability to fluctuations in input prices**

The major raw materials are fabrics and other finished materials. Acquiring and storing of adequate amount of inventory plays a very important role in Textile industry. Cotton, wool, silk and jute fabric are agro based and their prices are volatile in nature which may lead to fluctuation in revenue and profitability.

- **Intense competition prevalent in the textile industry and availability of cheaper substitutes**

The company is exposed to intense competition prevalent in the highly fragmented Indian textile and garment export industry and faces stiff competition from both organised and unorganised players.

- **Customer Concentration risk**

Opera Global deals only in export orders. There is no domestic sale. Top 10 Client contributed 100% of the total sales with single customer contributing 37% of total sales indicating customer concentration risk in FY23.



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- **Vulnerability to Regulatory Risk and changing trends**

Opera Global has 100% of its top line contributed by exports. This exposes the company to uncertainties which can affect the top line growth of the company in near future. Also, the readymade garment business is characterized by a constant change in fashion trends and as such the ability of the company to constantly innovate in terms of fashion trends is important.

- **Moderately leveraged Capital Structure and average debt coverage indicators:-**

The long-term debt to equity and overall gearing stood at 0.33x and 1.45x respectively as on March 31, 2023 as against at 0.44x and 1.35x respectively as on March 31, 2022. The indebtedness of the company as reflected by TOL/TNW deteriorated from 1.60x as on March 31, 2022, to 1.72x as on March 31, 2023, due to increase in Bank borrowings. Interest coverage ratio improved to 2.59x in FY23 as against 1.98x in FY22. Total debt to GCA improved from 35.78 years in FY22 to 14.07 years in FY23 due to increase in GCA.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating Outlook](#)

**Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as it expects sufficient cushion in its cash accruals vis-à-vis debt repayments. The fund-based limits of Opera Global Private Limited remained highly utilised at 92.95% during the past 12 months ended May, 2023. Opera Global Private Limited's operating cycle improved from 189 days in FY22 to 127 days in FY23 due to decrease in collection period from 62 days in FY22 to 36 days in FY23



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and decrease in inventory period from 149 days FY22 to 102 days in FY23 with an increase in scale of operations. Unencumbered cash and bank balance was Rs. 2.32 Crore as on March 31, 2023. Current ratio and quick ratio stood moderate at 1.91x and 0.91x respectively as on March 31,2022 and 1.67x and 0.75x respectively as on March 31,2023.

### **About the Company**

Opera Global Private Limited is an Indian private limited company incorporated in 1994. OGPL is known as the leading manufacturer of high-quality products / services such as Clothing accessories or parts nest, not knit or crochet, Women's, the products / services offered are well-known for features like high quality, competitive prices, requisite functionality, and low maintenance. OGPL manufactures children's garments and ladies' garments (High fashion garments). The process is in house facilities – starting with the procurement of fabric – cutting – stitching. The company gets dyeing and printing work done from Ahmedabad.

### **Financials (Standalone) :**

For the year ended*/As on	(Rs. crore)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	80.45	135.24
EBITDA	3.38	6.41
PAT	0.42	2.43
Total Debt	35.64	41.79
EBITDA Margin (%)	4.20	4.74
PAT Margin (%)	0.53	1.80
Overall Gearing Ratio (x)	1.35	1.45

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not applicable

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank facilities / Short Term Bank facilities	Long Term / Short Term	32.40	IVR BB+ / Stable / IVR A4+ (IVR Double B plus with Stable Outlook and IVR A Four Plus)	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility / Short Term Bank Facility – EPC	-	-	-	27.00*	IVR BB+ / Stable / IVR A4+
Long Term Bank Facility / Short Term Bank Facility – Gold Card Facility	-	-	-	5.40	IVR BB+ / Stable / IVR A4+

\* Sub limit of FDBP/FUDBP/FDBDFDBN - Post Shipment of Rs 10.00 Crore.

**Annexure-II: List of companies considered for consolidated analysis: Not Applicable.**

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-opera-jul23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**



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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

