

Press Release

Neeru's Ensembles Private Limited (NEPL)

April 04, 2018

Rating Assigned



Total Instruments Rated*	Rs. 51.00 Cr.
Long Term Rating	SMERA BBB-/Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.51.00crore bank facilities of Neeru's Ensembles Private Limited (NEPL). The outlook is 'Stable'.

Neeru's Ensembles Private Limited (NEPL), a Hyderabad based company was incorporated in 2005 by Mr. Harish Kumar and, Ms. Neeru Kumar. At present, the directors are Mr. Harish Kumar, Ms. Neeru Kumar and Mr. Avnish Kumar. The company is engaged in manufacturing and trading of apparels for kids, ladies and gents with manufacturing operations accounting for around 20 per cent of their revenues. The manufacturing unit of the company is located in Jubilee Hills, Hyderabad. The balance is from trading where the company does the work of designing the apparels. Recently the company has started with the accessories department which contributes to about 1 per cent of the total revenue. NEPL procures raw materials ~10 per cent from China and the rest is procured from domestic markets including Mumbai, Delhi, Kolkata, Chennai, and other places. The key raw materials required are cotton, polyester, viscose. The company has its showrooms in various places including Hyderabad, Mumbai, Bangalore, to name a few.

Key rating drivers

Strengths

- Experienced management and geographically diversified operations:**

The promoters of NEPL, Mr. Harish Kumar, Ms. Neeru Kumar possesses over four decade of experience in this industry. Mr. Avnish Kumar possess over a decade of experience in this industry. The company has more than a decade of experience in this line of business. Previously it was operating as a partnership firm. The company has presence in around 20 cities including presence in Dubai, Meena Bazaar.

- Average financial risk profile:**

The financial risk profile of the company marked by modest network, high gearing and moderate debt protection metrics. The network levels of the company stood at Rs. 41.71 crores as on March 31, 2017 as compared to Rs. 44.96 crores in the previous year. NEPL has high gearing (debt-to-equity) at 2.03 times as on 31 March, 2017 against 1.59 times in the previous year. The interest coverage ratio stood at 2.01 times in FY2017 against 1.57 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.38 times in FY2017. The net cash accrual (NCA)/ Total debt (TD) stood at 0.09 times in FY17 against 0.06 times in year earlier.

- Established brand & wide retail network:**

The company sells readymade garments for men, women and kids under its established brand of 'NEERU'S' and from its showrooms located across India including Noida, Hyderabad, Bangalore, Chennai, and other places. It has developed an established position in readymade garments retailing industry majorly in these states. The company has total 45 showrooms at present with 6 more to be opened before end of March 2018 and 9 more by FY19.

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Weaknesses

- Working capital intensive operations:**

NEPL has working capital intensive operations marked by gross current assets (GCA) of 185 days in FY2017 and 196 days in FY2016. The company has high inventory of 174 days in FY2017. The inventory days are high due to its large number of showrooms in multiple locations. The debtor days are well managed at 23 days in FY2017. However, the working capital cycle is comfortable due to liberal terms from suppliers. The creditor days have been around 88 in FY2017.

- 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 profile of NEPL.

Outlook – Stable

SMERA believes NEPL will maintain its stable business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	171.12	150.11	127.50
EBITDA	Rs. Cr.	17.59	13.60	10.07
PAT	Rs. Cr.	3.29	1.11	0.18
EBITDA Margin	(%)	10.28	9.06	7.90
PAT Margin	(%)	1.92	0.74	0.14
ROCE	(%)	11.69	10.33	18.25
Total Debt/Tangible Net Worth	Times	2.03	1.59	3.37
PBDIT/Interest	Times	2.01	1.57	1.56
Total Debt/PBDIT	Times	4.50	5.05	6.31
Gross Current Assets (Days)	Days	185	196	193

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	11.90	SMERA BBB-/Stable
Cash Credit	NA	NA	NA	13.00	SMERA BBB-/Stable
WC Term Loan	NA	NA	NA	10.00	SMERA BBB-/Stable
Cash Credit	NA	NA	NA	16.00	SMERA BBB-/Stable
Proposed Long Term	NA	NA	NA	0.10	SMERA BBB-/Stable

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ABOUT SMERA

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