



Press Release
Neerus Ensembles Private Limited
August 19, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.00	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	51.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-' (read as ACUITE double B minus)** from '**ACUITE B+ (read as ACUITE B plus)** on the Rs. 51.00 crore bank facilities of Neeru's Ensembles Private Limited. The outlook is '**Stable**'.

Rationale for the Rating

The rating upgrade reflects experienced management and geographically diversified operations and steady scale of operations. The company has achieved revenue of Rs. 231.43 crore in FY2024(Prov.) and the revenues have increased in FY2023 to Rs. 191.74 crore. Also, the company had achieved a revenue of about Rs.50.11 crore in Q1 FY2025(Prov.). The increase in revenue is mainly because sales and production have increased. The operating margin stood at 12.71% in FY2024(Prov.) as compared to 13.84% in FY2023. The slight decrease in margins due to increase in cost of raw materials. The PAT margin have remained stable at 3.11% in FY2024(Prov.) as compared to 3.01% in FY2023. The average financial risk profile is marked by increasing net worth, high gearing and decline in debt protection metrics. The tangible net worth stood at Rs.19.05 Cr. in FY2024 (Prov.) as against Rs.11.61 Cr. in FY2023 and Rs.5.72 Cr. in FY2022 due to accretion of reserves. The gearing stood at 10.76 times in FY2024 (Prov.) as against 17.35 times in FY2023 and 33.16 times in FY2022. The operations of the company are marked intensive by GCA (Gross Current Asset) days at 303 days in FY2024 (Prov.) as against 380 days in FY2023 and 499 days in FY2022. The inventory days stood at 246 days in FY2024 (Prov.) as compared to 305 days in FY2023 and 386 days in FY2022. The

company has stretched liquidity marked by net cash accruals of Rs.13.71 Cr. in FY2024 as against Rs.14.67 Cr. long term debt obligations over the same period. The directors of the company are flexible to bring funds through unsecured loans. Moreover, the fund-based limit was utilized at 79 per cent ended May 2024. However, these strengths are offset by working capital intensive operations and intense market competition.

About the Company

Neeru's Ensembles Private Limited (NEPL), a Hyderabad based company by Mr. Harish Kumar, Ms. Neeru Kumar. It was initially established as a wholesale trading firm in the year 1971; later in 2005 it was incorporated as private limited company and NEPL is currently managed by Mr. Harish Kumar, Ms. Neeru Kumar and Mr. Avnish Kumar as directors. The company is engaged in manufacturing and trading of apparels for kids, ladies and gents. For the portion of revenue, which is classified as trading of apparels, NEPL adds value by designing the product. The company has its three manufacturing facilities located in Hyderabad, Mumbai and Delhi. NEPL procures its key raw materials from domestic market from Mumbai, Delhi, Kolkata, Chennai, and other places. The key raw materials required are cotton, polyester, viscose. The company has its 45 showrooms across 25 cities.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of NEPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management:

Established in the year 2005, The company is engaged in manufacturing and trading of Apparels for Kids, Ladies and Gents. Currently Mr. Neeru Kumar And Mr. Avinash Kumar are the Directors of the company. The promoters of NEPL, Mr. Harish Kumar, Ms. Neeru Kumar has over four decades of experience in this industry. Previously it was operating as a partnership firm. The company has presence in around 25 cities with 45 showrooms. Acuité believes that the company will benefit from its experienced management and geographical diversified operations.

Steady of scale of operations

The company has achieved revenue of Rs. 231.43 crore in FY2024(Prov.) as compared to 191.74 crore in FY2023. Also, the company had achieved a revenue of about Rs. 50.11 crore in Q1FY2025. The increase in revenues is mainly because the sales volume and productions have increased in FY2024. The operating margin stood at 12.71% in FY2024(Prov.) as compared to 13.84% in FY2023. The slight decrease in margins was due to increase in cost of raw materials. The PAT margin have remained stable at 3.11% in FY2024(Prov.) as compared to 3.01% in FY2023. The procurement of raw materials was earlier done from China, but from the last 3 years the management has procured the raw materials from the domestic markets, but the management is planning to procure the raw materials from China again as the quality of raw materials is good in China. Acuite believes that the business risk profile of the company will continue to be stable with over the medium term.

Weaknesses

Working capital intensive operations

The operations of the company are intensive marked by GCA (Gross Current Asset) days at 303 days in FY2024 (Prov.) as against 380 days in FY2023 and 499 days in FY2022. The inventory days stood at 246 days in FY2024 (Prov.) as compared to 305 days in FY2023 and 386 days in FY2022. The debtor days stood at 50 days in FY2024 (Prov.) as against 67 days in FY2023 and 77 days in FY2022. The credit terms with customers are minimum of 15 days and maximum of 30 days. The creditor days stood at 142 days in FY2024 (Prov.) as against 215 days in FY2023 and 262 days in FY2022. Acuité believes that the working capital cycle will continue to remain in the similar levels over the medium term.

Intense market competition

The company is exposed to intense market competition in the highly unorganised and competitive retail garment business. This has resulted in pressure on margin of the company. Acuite believes that the Company would be susceptible to intensive competition over the medium term.

Rating Sensitivities

- Improvement in the revenue and the profit margins.
- Working capital cycle
- Improvement in capital structure

Liquidity Position

Stretched

The Company has stretched liquidity marked by net cash accruals of Rs.13.71 Cr. in FY2024 as against Rs.14.67 Cr. long term debt obligations over the same period. The directors of the

company are flexible to bring funds through unsecured loans and has repaid part of term debt from it. The working capital cycle of the company is high marked by GCA (Gross Current Asset) of 303 days in FY2024 (Prov.) as against 380 days in FY2023. The cash and bank balance stood at Rs. 1.58 Cr. in FY2024 (Prov.) as compared to Rs. 2.07 Cr. in FY2023. The current ratio stood at 1.76 times in FY2024(Prov.) as compared to 1.68 times in FY2023. Moreover, the fund-based limit was utilized at 79 per cent ended May 2024. Acuite believes that the company's liquidity will continue to remain stretched over the medium term backed by small but steady accruals against matching debt repayment, moderate current ratio, absence of debt funded capex plans.

Outlook: Stable

Acuité believes that 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 and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of further elongation in working capital cycle coupled with deterioration in financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	231.43	191.74
PAT	Rs. Cr.	7.19	5.77
PAT Margin	(%)	3.11	3.01
Total Debt/Tangible Net Worth	Times	10.76	17.35
PBDIT/Interest	Times	1.87	1.81

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2024	Proposed Long Term Bank Facility	Long Term	0.10	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
	Cash Credit	Long Term	11.90	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
	Cash Credit	Long Term	13.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
	Working Capital Term Loan	Long Term	10.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
	Cash Credit	Long Term	16.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
10 Mar 2023	Cash Credit	Long Term	16.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Working Capital Term Loan	Long Term	10.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	13.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	11.90	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	0.10	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
14 Dec 2021	Cash Credit	Long Term	16.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)
	Working Capital Term Loan	Long Term	10.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)
	Cash Credit	Long Term	13.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)
	Cash Credit	Long Term	11.90	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)
	Proposed Long Term Bank Facility	Long Term	0.10	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.90	ACUITE BB- Stable Upgraded (from ACUITE B+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
Tata Capital Limited	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.10	ACUITE BB- Stable Upgraded (from ACUITE B+)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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