

Neerus Ensembles Private Limited

Instrument	Amount in Rs crore	Rating Action
Fund Based Limits	34.84 (revised from Rs. 32.56 crore)	[ICRA]BB- (Stable) reaffirmed
Unallocated Limits	0.16 (revised from Rs. 2.44 crore)	[ICRA]BB- (Stable)/[ICRA]A4 reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB- (pronounced ICRA double B minus) assigned to Rs. 34.84 crore (revised from Rs. 32.56 crore) fund based limits of Neerus Ensembles Private Limited (NEPL). ICRA has also reaffirmed the ratings of [ICRA]BB-/ [ICRA]A4 (pronounced ICRA A four) assigned to Rs. 0.16 crore unallocated limits of NEPL. The outlook on the long term rating is Stable.

The reaffirmation of the rating continues to be constrained by NEPL's leveraged capital structure with gearing of 4.73 times as on March 31, 2015 on account of large debt funded capex towards opening new retail showrooms and high working capital borrowings; high working capital intensity owing to textile retail industry dynamics and seasonality of the business; and muted revenue growth in FY2015 due to increased competition levels. The ratings are further constrained by the high geographic concentration risk of the company with 11 out of the total 17 stores located in Hyderabad alone; highly fragmented and competitive market characterized by the presence of organized and unorganized players; and rising threat from online retailers which draw customers with attractive discounts.

The rating reaffirmation, however favourably factors in over three decades of experience of the promoter in textile retailing; strong brand presence especially in Telangana and Andhra Pradesh states; and stable but moderate operating margins at ~8% for the last 5 years. ICRA also notes the increase in number of stores from 11 in FY2014 to 17 as on December 2015 to drive the revenue growth in the medium term and favourable growth prospects of women's ethnic and branded casual wear segment given that organized retail sector is still underpenetrated in India.

Going forward, the firm's ability to improve its revenues and capital structure while managing its working capital requirements effectively will be the key credit rating sensitivities.

Company Profile

Neerus Ensembles Private Limited (NEPL) was incorporated as a private limited company in the year 2005. Prior to this, it functioned as a partnership firm since 1979. The company is involved in the retailing of textile including women's wear, men's wear and kid's wear under the brand name "Neerus". NEPL focuses primarily on Sarees and Dress materials both stitched and unstitched. NEPL has 17 stand-alone stores as on date in Telangana, Andhra Pradesh and Karnataka. Further, NEPL shares its presence with multi brand retail stores in India- Future Group's "CENTRAL", LANDMARK Group's "LIFESTYLE". As on date, NEPL has presence in 12 CENTRAL and 3 LIFESTYLE stores across India.

Recent Results

As per the audited results for FY2015, the company reported profit after tax of Rs 0.18 crore on turnover of Rs 127.50 crore as against profit after tax of Rs 3.07 crore on turnover of Rs 126.31 crore during FY2014.

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[†]For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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