



Press Release

Numero Uno Clothing Limited

May 01, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	71.62	IVR BBB-/ Stable (IVR Triple B Minus; with Stable Outlook)	Assigned	Simple
Total	71.62	Rupees Seventy One Crore and Sixty Two Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable outlook for the bank loan facilities of Numero Uno Clothing Limited (NUCL).

The rating draws comfort from the established track record of operations and experienced management, diversified customer base and geographical presence and satisfactory debt protection metrics and financial risk profile. However, these strengths are partially offset by working capital intensive nature of operations, intense competition in the industry and susceptibility of profitability to raw material price volatility.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes NUCL's business risk profile will be maintained over the medium term. The company performance has improved in FY2023 as compared to FY2022. The industry outlook is also improving led by rapid digitisation of consumers and brands post-pandemic as well as favourable demand for Indian made readymade garments in domestic as well as in global markets.

IVR has principally relied on the standalone audited financial results of BSMPL upto 31 March 2022, FY2023 certified provisional results and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 310 crore and profitability margins
- Improvement in debt protection metrics
- Sustenance overall gearing below 0.40x



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Downward Factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**

The company was initially setup in 1980 as a proprietorship concern, Hi-Fashion Clothing Co and the business of the same was taken over by NUCL from April 2007 and has a successful track record of more than three decades in the existing line of business. Overall activities of NUCL are managed by two directors with Mr. Narinder Singh Dhingra being the Managing Director. He has experience of more than 2 decades in the readymade garment business. He is ably supported by other director namely, Ms. Rohini Dhingra who have effective experience in existing line of business as well as supported by qualified and well experienced management team.

- **Diversified customer base and geographical presence:**

The company is selling its products through all formats such as large format stores, multiple brand stores, exclusive stores, distributors, institutional players, online etc. This network provides them access into newer markets and geographies. During FY2023 the company added 130 plus franchisee stores including 100 large format stores. Further the company has tied up with all Reliance Retail Stores such as Reliance Centro, Reliance Trends, Fashion factory etc. which will further increase revenue in coming years. It sells its product under the brands like NUMERO UNO, NU Blue, NU JNS, NU Black/Silver etc, which have become popular and known among the customers. The company has diversified geographical presence as their products are sold in PAN India. They have long term relationship with majority of its customers.

- **Satisfactory debt protection metrics and financial risk profile:**

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) stood at 2.15x and 1.43x respectively in FY2023 (Provisional). The tangible networth has marginally improved to Rs. 116.60 crore in FY2023 (Provisional) from Rs. 112.83 crore in FY2022. The total operating income (TOI) improved to Rs. 202.00 crore in FY2023 (Provisional) from Rs. 171.30 crore in FY2022.



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Key Rating Weaknesses

- **Working capital intensive nature of operations:**
NUCL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilisation of fund based working capital limits of the company stood high around ~87% during the last 12 months ending 31st March 2023. The company has large working capital requirements which are reflected in an elongated conversion cycle of 387 days in FY2023 (FY2022: 436 days). This happens due to the seasonal nature of business.
- **Intense competition in the industry:**
The readymade garments industry has many players because of low entry barriers, driven by limited capital and easy access to raw material. The intense competition in this industry will continue to exert pricing pressure and create a major impact on profitability.
- **Susceptibility of profitability to raw material price volatility:**
The readymade garments industry's profitability margins are highly correlated with fluctuations in fabric prices. The company does not have any long-term contracts with suppliers with regards to either quantity or price. However, it has several years of relationships. The readymade garments industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are susceptible to the volatility in raw material prices.

Analytical Approach: For arriving at the ratings, IVR has analysed NUCL's credit profile by considering the standalone financial statements of the trust.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for Assigning Rating Outlook](#)



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Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 5.69 crore, as on 31st March 2023. Against a current portion of long-term debt (CPLTD) of Rs 2.87 crore in FY2023 (Provisional), the company had a cash accrual of Rs. 7.09 crore in FY2023 (Provisional). The company projected to generate cash accruals of Rs. 10.07 crore in FY2024 against a CPLTD of Rs. 1.81 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Entity

Numero Uno Clothing Limited (NUCL) was initially setup by Mr. Narinder Singh Dhingra in 1980 as a proprietorship concern, Hi-Fashion Clothing Co and the business of the same was taken over by NUCL from April 2007. The company is engaged in manufacturing and trading of readymade garments for men and women segments. The company manufacturing unit is located at Dehradun, Uttarakhand and has warehouse facility located in Manesar, Haryana. The company sells its product under the brands like NUMERO UNO, NU Blue, NU JNS, NU Black/Silver etc, which have become popular and known among the customers.

Financials (Standalone):

(Rs. crore)		
For the year ended as on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	171.30	202.00
EBITDA	12.06	14.87
PAT	2.40	3.45
Total Debt	54.68	75.69
Tangible Networth	112.83	116.60
EBITDA Margin (%)	7.04	7.36
PAT Margin (%)	1.40	1.71
Overall Gearing Ratio (x)	0.48	0.65

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING Category by Brickwork Ratings via press release dated 12th January 2023.

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	71.62	IVR BBB-/Stable (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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
Term Loan (TL)	-	-	Dec 2026	1.80	IVR BBB-/Stable
Term Loan (GECL)	-	-	Jan 2026	2.82	IVR BBB-/Stable
Cash Credit	-	-	-	67.00	IVR BBB-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Numero-may23.pdf>

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

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 [Complexity Level of Rated Instruments/Facilities](#).