

Nalli Trust

July 03, 2020

Rating

S. No	Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
1.	Long term Bank Facilities – Term loan	34.87	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BBB+; Stable; Issuer Not Cooperating (Triple B Plus; Outlook: Stable; Issuer Not Cooperating) on the basis of best available information”
2.	Long term Bank Facilities – Working capital	65.00		
3.	Long term Bank Facilities – Term loan (SIDBI)	-	-	Withdrawn
	Total	99.87 (Rs. Ninety nine crore and eighty seven lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 05, 2019 placed the rating of Nalli Trust (NT) under the ‘issuer non-cooperating’ category as NT had failed to provide information for monitoring of the rating. NT continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated June 01, 2020 and June 24, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE’s opinion is not sufficient to arrive at a fair rating. The rating on NT’s bank facilities (facilities 1 and 2 above) will be denoted as ‘**CARE BB+; Stable; ISSUER NOT COOPERATING***’

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Further, CARE has withdrawn the outstanding ratings assigned to the term-loan facilities sanctioned by Small Industries Development Bank of India (SIDBI; facility 3) as the trust has repaid the loan in full and there is no amount outstanding under the loan as on date.

The revision in the ratings assigned to the bank facilities of NT takes into account the absence of information required for the purpose of monitoring the rating.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2019, following were the rating strengths and weaknesses (updated for latest developments from other public sources):

Key rating weaknesses

Competitive landscape in retail business

The textile retail market has become increasingly competitive over the years. National and regional branded stores, expanded across the tier 1 and tier 2 cities at a brisk pace, have increased the competition faced by NT.

Decline in revenue from jewellery retailing

The total operating income from jewellery segment declined to Rs.33.87 crore in FY17 from Rs.45 crore in FY16. NT commenced its retail jewellery business in September 2012. The jewellery business is yet to establish its brand image amidst heavy competition from well-established jewellery players in the Chennai market.

Key rating Strengths

Vast experience of the promoters in retailing of textile goods

The Nalli group has been operational for more than a century, wherein the Late Mr Nalli Chinnasami Chettiar, hailing from a weaver family in Kanchipuram (known as the silk hub of Tamil Nadu) started manufacturing the made-to-order ‘Muhurtha

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

sarees' through his looms in the early 1900s and later started selling silk sarees from T Nagar in 1928. Mr Ramanathan, from the fourth generation of the family, is the Managing Trustee of NT and has been instrumental in the growth and geographic expansion of NT. He oversees the day-to-day operations.

Long operational track record and strong brand image of 'Nalli'

The group has a long operational track record of over 80 years in textile retailing. By virtue of being one of the early entrants in the retailing of silk clothing, the group has been able to develop the 'Nalli' brand synonymous with silk sarees and has a strong brand recognition and loyalty across India, especially in South India. The 'Nalli' Brand is owned by the partners of NT.

Established relationship with a large supplier base

NT has benefitted from the established relationship built by the group over the past eight decades with more than 3000 suppliers. Over the past generations, NCC has helped these suppliers develop expertise on handloom based weaving of silk sarees, which has led to a strong bonding between the suppliers and the firm, allowing it to source clothing at competitive terms.

Takeover of trading division of Nalli Trust

M/s Nalli Trust (NT) was constituted as a Trust (Association of Persons) in order to expand the geographical presence of the well renowned brand image of 'Nalli' in markets other than that of Chennai and South India. During FY19, NSSPL purchased the entire trading division of NT through a slump sale as per business transfer agreement dated April 11, 2018. The total purchase consideration paid for acquiring the trading division of NT is Rs. 92.30 crores. NT represented by Ramanathan Nalli holds 97% in NSSPL.

Liquidity

NT maintains inventory holding period of about two months which is low considering its nature of business. The same can be attributed to the long-standing relationship with its wide supplier base which allows it to source products at short notice and also ensure prompt sale of stocked inventory which acts as testimony to its brand name. The cash-and-carry nature of the business and the credit period from suppliers lend a fair degree of comfort to the liquidity profile. The entity had a total working capital limit of Rs.65 crore and the utilization of the limits has been comfortable at 41% during the past 12-month period ended December 2017.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios –Non Financial sector](#)

About the Company

M/s Nalli Trust (NT), a Chennai based family run private trust belonging to the 'Nalli' group, was engaged in retailing of silk sarees, cloth and piece-goods, women's apparels, ready-to-wear menswear, jewellery, accessories. During FY19, NSSPL purchased the entire trading division of NT through a slump sale as per business transfer agreement dated April 11, 2018.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	498.06	514.26
PBILDT	37.11	47
PAT	11.13	15.70
Overall gearing (times)	1.13	1.01
Interest coverage (times)	3.55	3.89

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	April 2024	34.87	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Working Capital Limits	-	-	-	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn Issuer not cooperating; Revised from CARE BBB+ on the basis of best available information

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	34.87	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (05-Apr-19)	-	1)CARE BBB+; Positive (23-Feb-18)
2.	Fund-based - LT-Working Capital Limits	LT	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (05-Apr-19)	-	1)CARE BBB+; Positive (23-Feb-18)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (05-Apr-19)	-	1)CARE BBB+; Positive (23-Feb-18)

*Issuer did not cooperate; based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr. P. Sandeep

Contact no.: 044 2850 1000

Email ID: sandeep.prem@careratings.com

Relationship Contact

Name: Mr. V.Pradeep Kumar

Contact no. : 044 2850 1001

Email ID: pradeep.kumar@careratings.com

About CARE Ratings:

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