

Press Release

ENKAY EXPORTS INDIA LIMITED

November 23, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 9.00 crore bank facilities of ENKAY EXPORTS INDIA LIMITED. The outlook is '**Stable**'.

Enkay Exports India Limited (EEIL), incorporated in 1983 is an Agra-based company promoted and led by Directors, Mr. Sanjay Jain, Mr. Ashish Jain and Mr. Ankit Jain. The company is engaged in the manufacture and export of fashion accessories and garments for women. The company procures raw material i.e. cotton yarn from Uttar Pradesh, Delhi and Haryana and exports the aforementioned to USA, Spain, Italy and France.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in 1983, the company was promoted by Mr. Sanjay Jain, Mr. Ashish Jain and Mr. Ankit Jain who possess experience of more than three decades in the textile industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low networth, high gearing and modest debt protection measures. The networth levels stood at Rs.3.99 crore as on 31 March, 2017 (Provisional) compared to Rs.3.79 crore in the previous year. Further, the gearing stood high at 2.30 times as on 31 March, 2017 (Provisional) as against 1.80 times as on 31 March, 2016. The high gearing is on account of low net worth of Rs.3.99 crore as against the total debt of Rs.9.20 crore in FY2016-17. The total debt includes term loan of Rs. 3.38 crore, unsecured loans of Rs.0.33 crore and working capital limit of Rs.5.48 crore. The interest coverage of the company stands moderate at 1.98 times in FY2017 (Provisional) as against 1.58 times in the previous year. The net cash accruals by total debt (NCA/TD) stood at 0.10 times in FY2017 (Provisional) as well as FY2016 respectively. The debt service coverage ratio (DSCR) stood at 1.33 times in FY2016-17 (Provisional) as compared to 1.25 times in FY2015-16.

- **Reputed customer base**

EEIL derives support from its reputed customers - The Inditex Group (Zara, Berska, Massimo Dutti, Stradivarius, Lefties, etc), Custo Barcelona, Carolina Herrera, Forever 21 among others.

Weaknesses

- **Modest scale of operations**

The operations stood at a moderate scale despite growth in operating income at a CAGR of 36.72 percent for the period FY2014-17. This is on account of increase in order book value. The operating income stood at Rs.30.46 crore in FY2017 (Provisional) as compared to Rs.26.12 crore in FY2016.

- **Intense competition**

~~The company is exposed to intense competition from various players in the industry which is likely to~~

impact operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a 'Stable' outlook in the medium term and continue to benefit from its long track record of operation, experienced management and reputed clientele. The outlook may be revised to 'Positive' if the company registers substantial growth in revenue while improving profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), EEIL reported Profit after Tax (PAT) of Rs.0.54 crore on operating income of Rs.30.46 crore compared to PAT of Rs.0.32 crore on operating income of Rs.26.12 crore for FY2015-16. The company's net worth stood at Rs.3.99 crore as on 31 March, 2017 (Provisional) as against Rs.3.79 crore a year earlier.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.17	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.83	SMERA BB- / Stable

Contacts

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