

Press Release

Ennovators India Private Limited (EIPL)

16 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated	Rs.5.70 crore
Long Term Rating	SMERA B/ Stable (Reaffirmed)

Rating Rationale

SMERA has reaffirmed a long term rating of **'SMERA B' (read as SMERA B)** on the above mentioned bank facilities of Rs.5.70 Crore. The outlook is **'Stable'**.

About the company

Incorporated in 2000, Ennovators India Private Limited (EIPL) is promoted by Mrs. Gauri Vichare (Managing-Director) and his husband Mr. Sandeep Vichare (Director). The company is currently engaged in manufacturing of garments especially ladies ethnic wear. The company has invested in small units for sewing machines and it manufactures approximately 40 percent of its requirements and the rest 60 percent is outsourced. It has capacity to manufacture around 1, 75,000 pieces per month and it currently utilizes only 60 to 65 percent of its installed capacity i.e. 1, 00,000 to 1, 25,000 pieces per month. Prior to the incorporation of EIPL, the management looked after software development business and Datapro training centre.

List of key rating drivers and their detailed description:

Strengths

Extensive industry experience of the promoters

EIPL is actively managed by Mrs. Gauri Vichare and Mr. Sandeep Vichare. Mrs. Gauri Vichare is a BSc graduate and looks after the day to day operations, while Mr. Sandeep Vichare is a Bachelor of Technology & MBA qualified. They have been into same line of business for more than a decade due to which she has gained significant insight about the textile industry and has developed healthy customers & suppliers relations.

Reputed customer base

The company majorly supplies its products to retail outlets of Future Group across India & include brands like Big bazaar, Central, ALL, Ethnicity, etc. It also supplies to Shoppers Stop and Pantaloons. This helps the company to maintain healthy & long standing relation with customers.

Weaknesses:

Modest scale of operations

The modest scale of operations of EIPL is marked by an operating income of Rs.17.68 crore in FY17 and Rs. 18.12 crore in FY16. Stagnancy in operating revenues will remain a key rating factor. Further, the company has earned revenues of approximately Rs.11 Crores from April to January 2018.

Below average financial risk profile

The company has below average financial risk profile. The overall gearing stands high, but improved from 4.62 times in FY16 to 3.87 times in FY17. The networth stands low at around Rs.1.74 crore as on March 31, 2017. Further, the company has below average debt protection metrics marked by low Interest Coverage Ratio(ICR) of 1.35 times and low Debt Service Coverage Ratio (DSCR) of 0.95 times.

Working capital intensive operations

The company has high GCA of around 277 days in FY2017 when compared to 258 days in FY2016. The increase is mainly on account of increase in inventory of 225 days in FY2017. The company has maintained high inventories on the back of bigger orders expected in FY18. Also, the cash credit utilisation of the company is ~95-99 percent.

Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook:

SMERA believes that the company would continue to benefit over the medium term from its promoters extensive industry experience and reputed clientele base. The outlook may be revised to 'Positive' if in case the company reports substantial and sustainable revenues or operating margins going forward resulting into improvements in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if in case the company's working capital cycle further elongates resulting into weakening of its existing financial risk profile especially its liquidity or if its undertakes significant debt-funded capital expenditure over the medium term.

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-December-2016	Cash Credit	Long Term	5.70	SMERA B/Stable (Assigned)

Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	NA	NA	NA	5.70	SMERA B/Stable (Reaffirmed)

*The issuer did not co-operate; based on best available information.

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