

Press Release

Enterprising Enterprises

11 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 31.00 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4** (read as SMERA A four)' on the Rs. 31.00 crore bank facilities of Enterprising Enterprises.

The company has an established presence in the granite quarrying and trading business in India through EE as well as group entities such as Pooshy Exports Private Limited and Yak Granite Industries Private Limited. The group is a 100% export oriented unit and caters to players in USA, Germany, China, UK, Taiwan and Japan.

Key Rating Drivers

Strengths

- **Experienced management in the granite industry**

The Group has an established presence in the granite quarrying and trading business in India through EE as well as group entities such as Pooshy Exports Private Limited and Yak Granite Industries Private Limited. The group is a 100% export oriented unit and caters to players in USA, Germany, China, UK, Taiwan and Japan.

- **Long standing relationship with customers**

The company caters to some of the major clients in the European and Chinese markets with long standing business from these players.

- **Comfortable financial risk profile**

The company has comfortable financial risk profile with negligible debt of Rs. 0.04cr as on March 31, 2017, TOL to TNW ratio of around 0.76 times as on March 31, 2017. Interest coverage also remains strong at 43.32 times ending FY2017. Networth is moderate at around Rs.49.02 crore as on March 31, 2017. The margins of the company have remained in the range of 10-11% in the past with FY17 being a deviation at 8.53% due to increased manufacturing cost.

Weaknesses

- **Modest scale of operation**

The company has moderate scale of operations with the revenues in the range of Rs. 27-30 cr over past years. The company receives stable orders from its present customers and is also trying to attain new customers while the overall growth for the same is yet to be seen.

- **Volatile profit margins**

The profits of the group remain susceptible to the fluctuations in the foreign exchange rate. Although the margins have been at 14-17% historically but the same is sensitive to the forex fluctuations and

considering the small scale of operations it can have a higher impact on profits.

• **Working capital intensive operations**

The company operations are working capital intensive with GCA of 777 days and WC cycle days of 615 days as on March 31, 2017. This is mainly on account of high inventory holding requirement for the company at 613 days in FY2017. The creditor days stands at 139 days as on March 31, 2017 up from 99 days as on March 31, 2016, while the debtor days are at 141 days as on March 31, 2017 up from 139 days as on March 31, 2016 further stretching the WCcycle.

• **Intense competition in the domestic and foreign markets**

The scale of operations and margins are constrained by the intense competition faced by the firm, both from domestic as well as international players and also the limited value added nature of the firm's operations leading to depressed margins.

Analytical Approach

Standalone

Outlook:

NA

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.98	26.02	30.09
EBITDA	Rs. Cr.	4.88	3.77	4.86
PAT	Rs. Cr.	1.46	0.16	1.06
EBITDA Margin (%)	(%)	17.46	14.50	16.14
PAT Margin (%)	(%)	5.21	0.62	3.54
ROCE (%)	(%)	6.15	4.81	13.85
Total Debt/Tangible Net Worth	Times	1.58	1.32	0.84
PBDIT/Interest	Times	1.94	1.46	1.64
Total Debt/PBDIT	Times	8.48	9.31	5.47
Gross Current Assets (Days)	Days	777	765	625

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

Jan 11, 2018: ICRA has moved the long-term and short-term ratings for the bank facilities of Enterprising Enterprises (EE) to the 'Issuer Not Cooperating' category. The rating is now denoted as '[ICRA]B (Stable)/ A4 ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A4
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

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ABOUT SMERA

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