

Press Release

Encraft India Private Limited

04 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.12.00 crore bank facilities of Encraft India Private Limited. The outlook is '**Stable**'.

The New Delhi-based Encraft India Private Limited (EIPL) incorporated in 2013 is engaged in manufacturing, trading and exporting of doors, windows and window profile of UPVC. The company has a Pan-India presence with its customers based across the country. The company is promoted by Ms. Bina Jain, Mr. Rajeev Jain, Mr. Nitin Jain, Mr. Robert Hollrigl and Ms. Maja Hollrigl.

Key Rating Drivers

Strengths

- **Experienced management**

The Promoters, Ms. Bina Jain has an experience of three decades, Mr. Rajeev Jain has an experience of two decades and Mr. Nitin Jain has an experience of 15 years in the Furniture industry. Mr. Robert Hollrigl and Ms. Maja Hollrigl have over three decades of experience in the above mentioned industry in Germany. The company backed by its experienced promoters has been able to generate longstanding relations with various customers and suppliers.

- **Moderate financial risk profile**

EIPL has a moderate financial risk profile marked by adjusted gearing which stood at 1.25 times as on 31 March, 2017 which is an improvement from 1.90 times as on 31 March, 2016. Interest Coverage Ratio (ICR) stood at 3.55 times for FY2017 as against 0.74 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.88 times for FY2017 as against 0.84 times in FY2016.

Weaknesses

- **Exposure to volatility in raw material prices**

The profitability is dependent on volatility of raw material prices and susceptibility to demand and supply of furniture in Indian market. The company operates in a highly competitive and fragmented steel furniture industry characterised by large number of unorganised players affecting margins.

- **Intensive working capital operations**

EIPL has moderate working capital operations marked by Gross Current Asset (GCA) of 147 days in FY2017 compared to 155 days in FY2016. The GCA days are mainly dominated by inventory days of 102 in FY2017 compared to 104 in FY2016. The average cash credit utilisation for the past six months stood at ~67 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of EIPL to arrive at the rating.

Outlook: Stable

SMERA believes that Encraft India Private Limited will maintain a 'Stable' outlook over the medium term as the company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or in case of deterioration in financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	44.91	42.38	50.44
EBITDA	Rs. Cr.	3.96	2.68	2.31
PAT	Rs. Cr.	1.42	-3.27	-3.76
EBITDA Margin	(%)	8.81	6.33	4.58
PAT Margin	(%)	3.16	-7.71	-7.45
ROCE	(%)	4.52	1.70	4.08
Total Debt/Tangible Net Worth	Times	4.57	6.33	4.37
PBDIT/Interest	Times	3.55	0.74	0.72
Total Debt/PBDIT	Times	7.93	12.99	13.95
Gross Current Assets (Days)	Days	147	155	179

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Up to 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	*7.00	SMERA B+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable

*2 crore Sub limit of Letter of Credit

*2 crore Sub limit of Buyers Credit

*0.5 crore Sub limit of Bank Guarantee

*2 crore Sub limit of Counter Bank Guarantee

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Ayushi Rathore Analyst - Rating Operations Tel: 022-67141336 ayushi.rathore@smera.in	

ABOUT SMERA

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