

Elegant Overseas

April 12, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	0.11	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Short Term Bank Facilities	29.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	29.11 (Rs. Twenty-Nine Crore and Eleven Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated Feb 25, 2020, maintained the rating(s) of Elegant Overseas under the 'issuer non-cooperating' category as EO had failed to provide information for monitoring of the rating. EO continues to be non-cooperative despite repeated requests for submission of information through e-mails dated March 18, 2021, March 16, 2021, March 01, 2021 and numerous phone calls.

In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, banker could not be contacted.

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

The rating has been revised by considering non-availability of information and no due diligence was conducted due to non-cooperation by Elegant Overseas with CARE's efforts to undertake a review of the rating outstanding. CARE views information unavailability risk as a key factor in its assessment of credit risk. Further, banker could not be contacted.

The rating on the firm's bank facilities will now be denoted as **CARE B-; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING**.

Detailed description of the key rating drivers

At the time of last rating on Feb 25, 2020 following were the rating strengths and weaknesses:

Key Rating Weaknesses

Client concentration risk

Majority of the sales are driven by few clients with top 3 clients constituting over 85.29% of the total sales in FY18 (PY: 89.22%) indicating high client concentration risk. However, the firm has established strong relationships with its clients, which mitigates this risk to a large extent. The firm manufactures garments for brands including Superdry, Fat Face etc. The top 2 clients' viz. M/s C Retails Ltd and M/s DKH Retails Ltd are purchasing entities of SuperGroup Plc, which constituted 69.09% (PY: 65.72%) of the total sales in FY18.

Working capital intensive nature of operations

Operations of the firm, being manufacturing of garments, are working capital intensive in nature. After acceptance of purchase order, the firm procures raw materials from local vendors to whom payments are made within 41 days. The raw materials procured are cotton yarn and fabric. Yarn is knitted into fabric and then the further process of dyeing, cutting, stitching, sewing, washing, ironing and packing are performed in the manufacturing facility of the firm, and thus the entire order is executed within 122 days. For this the firm needs to maintain an average inventory of 56 days. On the other hand, having mostly exports, payments are usually LC-backed for most customers. For remaining clients EO allows an average credit period of around 56 days.

Key Rating Strengths

Experienced Promoters

The firm is promoted by four partners- Shri M. C. Gupta, Shri Ashok Singhal, Shri Vinod Kr. Jindal and Smt. Pushpa Jindal. The promoters have a proven track record of scaling up the business to become a leading exporter in manufacturing of cotton textiles.

Financial risk profile marked by stable profitability margins and moderate coverage indicators

Despite weak economic scenario post GST implementation in FY18, the net sales of the firm witnessed y-o-y growth of 6.04% in FY18 to Rs. 83.08 crore (PY: Rs. 78.35 crore). However, the total operating income of the firm remained stable at Rs. 89.98 crore in FY18 (PY: Rs. 90.60 crore) primarily on the account of decline in exports incentives from govt. from 7% in FY17 to 2% in FY18. Consequently, PBILDT margin has also remained stable at 3.45% in FY18 (PY: 3.59%). The PAT margin has improved 1.05% in FY18 (PY: 0.94%) on the account of less interest expenses owing to repayment of term debt and revision in interest rates in FY18.

The overall gearing of the firm moderated and stood at 4.48x as on March 31, 2018 (PY: 2.81x) on the account of increase in working capital utilization to Rs. 21.36 crore in FY18 (PY: Rs. 11.24 crore) with increase in production. The working capital borrowings increased significantly in Q4FY18 on the account of higher production to meet the order position as the firm received bulk orders during last quarter of FY18.

Applicable Criteria

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

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

[Liquidity analysis of Non-financial sector entities](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

About the Firm

Elegant Overseas (EO), set up in the year 1995 is a Gurgaon based ISO 9001:2008 certified partnership firm. It is engaged in manufacturing and export of garments. It is promoted by four partners, Shri M.C. Gupta, Shri Ashok Singhal, Shri Vinod Kr. Jindal and Smt. Pushpa Jindal. The firm manufactures readymade cotton garments (T-shirts) and exports directly to the international brands such as Superdry and Fat Face. The manufacturing facility of the firm is located at Behrampur Road, Gurgaon with an installed capacity of 3,50,000 pcs. p.m. which is equipped with all the amenities for manufacturing of readymade garments such as knitting, dyeing, cutting, stitching, sewing, washing, ironing and packing of readymade garments.

Key Financial Indicators

Rs. Cr.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	90.60	89.98
PBILDT	3.25	3.11
PAT	0.85	0.94
Overall gearing (times)	2.81	4.48
Interest coverage (times)	1.98	2.06

A: Audited

Status of non-cooperation with previous CRA: NA

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
Term Loan-Long Term	-	-	-	0.11	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-PC/Bill Discounting	-	-	-	23.50	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	5.50	CARE A4; ISSUER NOT COOPERATING*

*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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT	0.11	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE BB-; Stable (03-Oct-18)
2.	Fund-based - ST-PC/Bill Discounting	ST	23.50	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE A4 (03-Oct-18)
3.	Non-fund-based - ST-BG/LC	ST	5.50	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE A4 (03-Oct-18)

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - ST-PC/Bill Discounting	Simple
2.	Non-fund-based - ST-BG/LC	Simple
3.	Term Loan-Long Term	Simple

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.

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