

January 14, 2015

| Facility | Amount (Rs. Crore) | Rating |
|----------|--------------------|----------------------|
| PCFC | 10.00 | SMERA A4+ (Assigned) |

SMERA has assigned a rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.10.00 crore short-term bank facility of S. P. International (SPI). The rating is supported by the firm's long track record of operations, experienced management and healthy financial risk profile. The rating draw comfort from the proximity of the firm's manufacturing facilities to raw material sourcing units and efficient working capital management. However, the rating is constrained by the firm's moderate-scale operations in an intensely competitive segment of the leather goods industry. The rating is also constrained by the geographic concentration of the firm's revenues. The rating notes that the firm's profit margins are susceptible to volatility in raw material prices and fluctuations in foreign exchange rates.

SPI, established in 1998, is a Kolkata-based proprietorship firm engaged in manufacturing and export of leather products such as wallets, purses, card holder and handbags. SPI benefits from its experienced management. The proprietor of the firm has around two decades of experience in the leather goods industry.

SPI's healthy financial risk profile is marked by low gearing (debt-to-owners' funds ratio) of 1.27 times as on March 31, 2014 and comfortable interest coverage ratio (ICR) of 2.46 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's sound liquidity position is evidenced by net cash accruals to total debt (NCA/TD) ratio of 0.16 times as on March 31, 2014. SPI's prudent working capital management is reflected in negative working capital cycle of ~23 days in FY2013-14. SPI's manufacturing unit is in proximity to several tanneries.

SPI has moderate-scale operations marked by operating income of Rs.63.45 crore in FY2013-14. The firm is highly dependent on orders received from customers based in Germany which is ~50 percent of total sales. SPI's raw material cost accounts for ~65 per cent of the total cost of sales. The firm's profit margins are thus highly susceptible to volatility in raw material prices. SPI's profit margins are also exposed to forex fluctuation risk inherent in the unhedged portion of export sales. The firm faces intense competition from several players in the leather goods industry.

About the firm

SPI, established in 1998, is a Kolkata-based proprietorship firm promoted by Mr. Promod Mahapatra. SPI undertakes manufacturing and export of leather products such as wallets, purses, card holders and handbags. The firm is a 'Star Export House' recognized by the Government of India. SPI has a manufacturing unit in Kolkata with total installed capacity of 14,90,000 units per annum.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

S. P. International (SPI)

Rating Rationale

For FY2013–14, SPI reported profit after tax (PAT) of Rs.1.77 crore on operating income of Rs.63.45 crore, as compared with PAT of Rs.1.38 crore on operating income of Rs.43.54 crore in FY2012–13. The firm's net worth stood at Rs.10.61 crore as on March 31, 2014, as compared with Rs.9.43 crore a year earlier.

Contact List:

| Media / Business Development | Analytical Contacts | Rating Desk |
|---|---|--|
| Mr. Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in | Mr. Ashutosh Satsangi Vice President – Rating Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in | Tel: +91-22-6714 1170 Email: ratingdesk@smera.in |

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.