

Press Release

S. P. International (SPI)

February 18, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.14.00 Cr
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.14.00 crore facility of S. P. International (SPI).

SPI is a proprietorship concern engaged in the manufacture and export of leather products.

List of key rating drivers and their detailed description strengths:

Experienced management: Established in 1998, SPI is engaged in the manufacture and export of leather products. The firm was promoted by Mr. Pramod Mahapatra who possesses experience of about 18 years in the leather industry.

Moderate financial risk profile: SPI has moderate gearing levels of 1.62 times in FY2016. The total debt mainly consists of packing credit, loan against property, vehicle loan and unsecured loan. The coverage indicators are healthy with interest coverage ratio (ICR) and DSCR at 2.98 times in FY2016. The net worth is moderate at Rs.12.60 crore as on 31 March 2016. The firm registered net profit of Rs.1.90 crore on operating income of Rs.63.62 crore in FY2016, as compared to net profit of Rs.1.85 crore on operating income of Rs.68.42 crore in FY2015.

Weaknesses:

Modest scale of operations: The scale of operations is moderate. The revenue stood at Rs.63.62 crore in FY2016 and Rs.68.42 crore in FY2015 (including duty drawback of Rs.4.23 crore and Rs.4.80 crore in FY2016 and FY2015 respectively). The firm derives maximum revenue from the European market with sales made mainly to traders and wholesalers in countries like Germany, Switzerland, U.K. and Netherland.

Volatility in raw material prices: Finished leather is mostly sourced locally. During the past three years, raw material cost remained the major cost driver for SPI in the range of 57 per cent to 66 per cent of the total sales cost. Accordingly, any adverse movement in the prices of raw materials will have an adverse impact on the performance of the firm.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

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>

About the Firm

SPI undertakes manufacturing and export of leather products such as wallets, purses, card holders and handbags. The firm is a 'Star Export House' recognised by the Government of India and exports products mainly to Germany, U.K., Switzerland and others. The manufacturing facility is located at Kolkata.

For FY2016, SPI reported profit after tax (PAT) of Rs.1.90 crore on total operating income of Rs.63.62 crore, as compared with PAT of Rs.1.85 crore on total operating income of Rs.68.42 crore in FY2015. The tangible net worth stands at Rs.12.60 crore in FY2016 as compared to Rs.11.70 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Packing Credit/PCFC	ST	14.00*	SMERA A4+ (Reaffirmed)	08 Feb, 2016	SMERA A4+ (Reaffirmed)	14 Jan, 2015	SMERA A4+ (Assigned)	-	-

*Enhanced from Rs.10.00 crore to Rs.14.00 crore

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Packing Credit/ PCFC	N.A	N.A	N.A	14.00*	SMERA A4+ (Reaffirmed)

*Enhanced from Rs.10.00 crore to Rs.14.00 crore

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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