



SMERA RATINGS LIMITED

# Winner Overseas (WOS)

*Rating  
Rationale*

August 04, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan I	0.17	SMERA B+/Stable (Assigned)
Term Loan II	0.19	SMERA B+/Stable (Assigned)
Term Loan III	0.72	SMERA B+/Stable (Assigned)
Term Loan IV	5.87	SMERA B+/Stable (Assigned)
Cash Credit	0.05	SMERA B+/Stable (Assigned)
Export Packing Credit	1.50	SMERA A4 (Assigned)
Foreign Bill Discounting	2.50	SMERA A4 (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Winner Overseas (WOS). The outlook is '**Stable**'. The ratings are constrained by the firm's small-scale operations. The ratings note that the firm's profit margins are susceptible to fluctuations in material prices and forex rates. The ratings are also constrained by the firm's high leverage (debt-equity ratio). The ratings factor in risks related to geographical concentration and partnership constitution of WOS. However, the ratings draw comfort from the firm's experienced management and efficient working capital management.

WOS, established in 1998, is a Chennai-based partnership firm engaged in manufacturing and export of leather shoe uppers. WOS has also started manufacturing of leather shoes (since August 2014). The firm has small-scale operations marked by revenue of Rs.35.46 crore in FY2013-14 (refers to financial year, April 01 to March 31). WOS's profit margins are highly susceptible to raw material price volatility as material cost accounts for ~82 per cent of the cost of sales. The firm's profitability is also exposed to forex fluctuations in the absence of any hedging mechanism. WOS's net profit of Rs.0.60 crore (in FY2013-14) is supported by forex gain of Rs.0.37 crore.

WOS's leverage is high at of 2.12 times as on March 31, 2014. The firm's earnings are exposed to weak demand conditions in main export market i.e. Europe. WOS's financial profile is susceptible to withdrawal of capital by partners.

WOS benefits from its experienced management. The promoters of the firm have around 17 years of experience in the leather industry. WOS has a comfortable working capital cycle of ~15 days in FY2013-14.

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**Outlook: Stable**

SMERA believes WOS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenue while achieving sustained improvement in profit margins. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial profile, or in case of decline in the firm's profit margins.

**About the firm**

WOS, established in 1998, is a Chennai-based partnership firm promoted by Mr. M. A. M. Balachander, Mr. G. Bhaskar, Mr. S. M. Rajendran and Mr. B. Poornachandra. WOS undertakes manufacturing and export of leather shoe uppers. The firm is registered as an exporter with Government of India and Council for Leather Exports.

WOS acquired a running leather shoe manufacturing unit in April 2015. The cost of the acquisition was Rs.5.95 crore, which was funded through term loan of Rs.4.10 crore and promoters' funds of Rs.1.85 crore. The firm has installed production capacity of 8,500 pairs of shoes per week.

For FY2013-14, WOS reported profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.35.46 crore, as compared with PAT of Rs.0.49 crore on operating income of Rs.25.64 crore in FY2012-13. The firm registered revenue of Rs.29.73 crore (provisional) for the period April 2014 to December 2014. WOS's net worth stood at Rs.3.43 crore as on March 31, 2014, as compared with Rs.2.90 crore a year earlier.

**Contact List**

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a>	Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: <a href="mailto:vinay.chhawchharia@smera.in">vinay.chhawchharia@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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