

Winner Overseas: Reaffirmed

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

SMERA has reaffirmed ratings of **'SMERA B+' (read as SMERA B plus)** and **'SMERA A4' (read as SMERA A four)** assigned to the Rs.12.00 crore bank facilities of Winner Overseas (WOS). The outlook is **'Stable'**. The ratings continue to be constrained by the small scale of operations, susceptibility of profit margins to fluctuations in raw material prices and forex rates. The ratings are also constrained by the firm's high gearing. Besides, the ratings continue to factor in risks related to geographical concentration and partnership constitution of WOS. However, the ratings continue to draw comfort from the experienced management and efficient working capital management.

Update

The operating income of WOS increased to Rs.37.59 crore in FY2014-15 (refers to financial year, April 01 to March 31) as against Rs.35.46 crore in FY2013-14. For 9MFY2015-16 (provisional), the firm achieved operating income of Rs.25.43 crore. The operating margin was 4.53 per cent in FY2014-15 as compared to 4.39 per cent in FY2013-14.

The gearing (total debt to equity ratio) of WOS has been high at 2.75 times as on March 31, 2015 as against 2.12 times as on March 31, 2014. The interest coverage ratio remained at 2.53 times in FY2014-15 as against 2.50 times in FY2013-14.

The firm's earnings are exposed to geographic concentration risk with the firm exporting largely to Europe. WOS's financial profile is susceptible to withdrawal of capital by partners.

Rating Sensitivity Factors

- Sustained improvement in scale of operations and profitability
- Improvement in capital structure and coverage indicators

Outlook: Stable

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

Criteria applied to arrive at the ratings

- Manufacturing entities

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. The firm is a government registered exporter and undertakes manufacturing and export of leather shoe uppers.

For FY2014–15, WOS reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.37.59 crore, as compared with PAT of Rs.0.60 crore on operating income of Rs.35.46 crore in FY2013–14. The firm registered revenue of Rs.25.43 crore (provisional) for the period April 2015 to December 2015. WOS's net worth stood at Rs.3.02 crore as on March 31, 2015, as compared with Rs.3.43 crore a year earlier.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
04 August, 2015	Term Loan I	0.17	SMERA B+ (Assigned)	-	Stable
	Term Loan II	0.19	SMERA B+ (Assigned)	-	Stable
	Term Loan III	0.72	SMERA B+ (Assigned)	-	Stable
	Term Loan IV	5.87	SMERA B+ (Assigned)	-	Stable
	Cash Credit	0.05	SMERA B+ (Assigned)	-	Stable
	Export Packing Credit	1.50	-	SMERA A4 (Assigned)	-
	Foreign Bill Discounting	2.50	-	SMERA A4 (Assigned)	-
	Letter of Credit	1.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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