

Press Release

Winner Overseas

27 December, 2017



Rating: Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of **SMERA A4 (Read as SMERA A four)** on the Rs. 11.50 crore bank facilities of Winner Overseas (WO). Further, SMERA has assigned short term rating of **SMERA A4 (read as SMERA A four)** on the Rs 0.50 crore bank facility. The outlook is '**Stable**'.

Winner Overseas (WO), 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, a government registered exporter, undertakes manufacturing and export of leather shoe uppers.

Key Rating Drivers

Strengths

Experienced management and track record

WO has long standing presence in the industry of more than a decade while its promoter Mr. M. A. M. Balachander's experience spans almost two decades in the leather business.

Improved profitability

The operating margin improved to 7.34 per cent in FY2017 from 6.59 per cent in FY2016. The PAT margin rose to 2.18 per cent in FY2017 from 1.07 per cent in FY2016 due to increasing demand from customers.

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by net worth of Rs. 4.19 crore as on 31 March, 2017 as against Rs. 3.38 crore as on 31 March, 2016. The gearing stood at 1.64 times as on 31 March, 2017 as against 2.86 times in the previous year. The total debt of Rs. 6.90 crore as on 31 March, 2017 comprises Rs. 4.06 crore of term loan and Rs.2.84 crore of working capital limits. The Interest Coverage Ratio (ICR) stood at 2.22 times in FY2017 and 1.96 times in FY2016. The Net Cash Accruals to total debt (NCA/TD) stood at 0.16 times in FY2017 compared to 0.10 times in FY2016.

Weaknesses

Moderate scale of operations

WO has operational track record of more than a decade. However, it has been unable to scale up its operations. Its total operating income declined to Rs.28.69 crore in FY2017 from Rs. 32.69 crore in FY2016 owing to streamlining of its product range in favour of premium products entailing better profitability. The firm registered revenue of Rs. 18.18 crore for April to October 2017(Provisional).

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 119 in FY2017 and 100 in FY2016. The inventory days stood at 46 in FY2017 and 35 days in FY2016. The debtor days stood at 23 in FY2017 compared to 22 days in FY2016. The bank limit utilisation has been almost full for the six months ended November 2017.

Profitability margins susceptible to volatility in raw material prices

WO's key raw material is leather, which is partially procured locally and the rest imported from Thailand, Italy and China. Fluctuations in the prices of raw materials can affect profitability margins.

Foreign exchange fluctuation risk

Around 90 percent revenue is generated from exports (Germany, Portugal, Italy) with the rest contributed by domestic players. As a result, the profit margins are highly susceptible to fluctuations in forex rates.

Risk of capital withdrawal

WO's financial risk profile is susceptible to the inherent risk of capital withdrawal, considering the partnership constitution of the firm.

Outlook - Stable

SMERA believes that WO will maintain a Stable outlook over the medium term owing to its long standing presence in the leather industry and extensive experience of its partners. The outlook may be revised to 'Positive' in case of significant improvement in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability, thus affecting financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	28.69	32.69	37.59
EBITDA	Rs. Cr.	2.11	2.15	1.70
PAT	Rs. Cr.	0.62	0.35	0.02
EBITDA Margin	(%)	7.34	6.59	4.53
PAT Margin	(%)	2.18	1.07	0.06
ROCE	(%)	16.39	14.09	9.06
Total Debt/Tangible Net Worth	Times	2.69	4.01	4.50
PBDIT/Interest	Times	2.22	1.96	1.89
Total Debt/PBDIT	Times	3.27	4.48	4.90
Gross Current Assets (Days)	Days	119	100	83

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (last three years)

Date	Name of Instrument	Term	Amount (Rs. Crore)	Ratings/Outlook
	/ Facilities			
29-August, 2016	Term Loan	Long Term	INR 0.17	SMERA B+/ Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.19	SMERA B+/ Stable (Reaffirmed)
	Term Loan	Long Term	INR 0.72	SMERA B+/ Stable (Reaffirmed)
	Term Loan	Long Term	INR 5.87	SMERA B+/ Stable (Reaffirmed)
	Cash Credit	Long Term	INR 0.05	SMERA B+/ Stable (Reaffirmed)
	Packing Credit	Short Term	INR 1.50	SMERA A4 (Reaffirmed)
	Bills Discounting	Short Term	INR 2.50	SMERA A4 (Reaffirmed)
	Letter Of Credit	Short Term	INR 1.00	SMERA A4 (Reaffirmed)
4-August, 2015	Term Loan	Long Term	INR 0.17	SMERA B+/ Stable (Assigned)
	Term Loan	Long Term	INR 0.19	SMERA B+/ Stable (Assigned)
	Term Loan	Long Term	INR 0.72	SMERA B+/ Stable (Assigned)
	Term Loan	Long Term	INR 5.87	SMERA B+/ Stable (Assigned)
	Cash Credit	Long Term	INR 0.05	SMERA B+/ Stable (Assigned)
	Packing Credit	Short Term	INR 1.50	SMERA A4 (Assigned)
	Bills Discounting	Short Term	INR 2.50	SMERA A4 (Assigned)
	Letter Of Credit	Short Term	INR 1.00	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	INR 0.17	SMERA B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	INR 0.19	SMERA B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	INR 0.72	SMERA B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	INR 5.87	SMERA B+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	INR 0.05	SMERA B+/ Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	INR 1.50	SMERA A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	INR 2.00	SMERA A4 (Reaffirmed)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	INR 1.00	SMERA A4 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	INR 0.50	SMERA A4 (Assigned)

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ABOUT SMERA

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