

Press Release

Winner Overseas

March 04, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 12.00 crore bank facilities of Winner Overseas (WO). The outlook is '**Stable**'.

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of WO to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

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

Acuité believes that the firm will benefit from its experienced management which will help the company maintain long standing relations with its customers and suppliers.

• Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.4.66 crore as on 31 March, 2018 as against Rs.4.19 crore in the previous year. The gearing stood average at 1.47 times as on 31 March, 2018 as against 1.64 times in the previous year. The total debt of Rs.6.86 crore includes term loan from bank of Rs.3.35 crore, working capital borrowings of Rs.3.31 crore and unsecured loan of Rs.0.20 crore. Interest Coverage Ratio (ICR) stood at 2.38 times in FY2018 as against 2.22 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.61 times as on 31 March, 2018 as against 2.69 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.15 times in FY2018 compared to 0.16 times in FY2017.

Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Weaknesses

• Modest scale of operations with fluctuating profitability margins

WO has modest scale of operations despite having its presence in industry for almost two decades marked by operating income of Rs.43.04 crore in FY2018 as against Rs.28.69 crore in FY2017 and Rs.32.69 crore in FY2016. The firm has booked revenue of Rs.24.95 crore for April to January, 2018. Further, the firm's operating margins have shown a fluctuating trend of 6.46 percent in FY2018 as against 7.34 percent in FY2017 and 6.59 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 1.78 percent in FY2018 against 2.18 percent in FY2017 and 1.07 percent in FY2016.

Acuité believes that the firm's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Moderate working capital operations

The firm's operations are moderate working capital intensive marked by Gross Current Asset (GCA) of 118 days in FY2018 as compared to 119 days in FY2017. The GCA days are mainly dominated by inventory holding of 42 days in FY2018 compared to 46 days in FY2017. The collection period stood at 31 days in FY2018 compared to 23 days in FY2017. Further, working capital is supported by high creditor days of 65 days in FY2018.

Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Liquidity

WO has stretched liquidity marked by net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.05 crore for FY2018, while its maturing debt obligations were of Rs.1.69 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.1.00-2.00 crore during 2019-21, while its repayment obligation is estimated to be around Rs.1.50 crore every year. The firm operates in a moderate working capital nature of operations marked by gross current asset (GCA) days of 118 in FY 2018. Further, the cash credit limit of the firm is fully utilized for last six months ended January 2019. The firm maintains unencumbered cash and bank balances of Rs.0.87 crore as on March 31, 2018. The current ratio of the firm stood at 1.08 times as on March 31, 2018.

Acuité believes that the liquidity of the firm is likely to remain average over the near to medium term on account of low cash accrual and high debt repayments over the period.

Outlook: Stable

Acuité believes that WO's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining working capital cycle and profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements, further deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.04	28.69	32.69
EBITDA	Rs. Cr.	2.20	2.11	2.15
PAT	Rs. Cr.	0.61	0.62	0.35
EBITDA Margin	(%)	6.46	7.34	6.59
PAT Margin	(%)	1.78	2.18	1.07
ROCE	(%)	16.31	16.39	26.37
Total Debt/Tangible Net Worth	Times	1.47	1.64	2.86
PBDIT/Interest	Times	2.38	2.22	1.96
Total Debt/PBDIT	Times	2.99	2.83	4.12
Gross Current Assets (Days)	Days	118	119	100

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Dec-2017	Bills Discounting	Short Term	INR 2	ACUITE A4 (Reaffirmed)
	Term Loan I	Long Term	INR 0.17	ACUITE B+ / Stable (Reaffirmed)
	Term Loan II	Long Term	INR 0.19	ACUITE B+ / Stable (Reaffirmed)
	Term Loan III	Long Term	INR 0.72	ACUITE B+ / Stable (Reaffirmed)
	Term Loan IV	Long Term	INR 5.87	ACUITE B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	INR 0.05	ACUITE B+ / Stable (Reaffirmed)
	Packing Credit	Short Term	INR 1.5	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	INR 1	ACUITE A4 (Reaffirmed)
	Proposed Short Term Loan	Short Term	INR 0.5	ACUITE A4 (Assigned)
29-Aug-2016	Term Loan I	Long Term	INR 0.17	ACUITE B+ / Stable (Reaffirmed)
	Term Loan II	Long Term	INR 0.19	ACUITE B+ / Stable (Reaffirmed)
	Term Loan III	Long Term	INR 0.72	ACUITE B+ / Stable (Reaffirmed)
	Term Loan IV	Long Term	INR 5.87	ACUITE B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	INR 0.05	ACUITE B+ / Stable (Reaffirmed)
	Packing Credit	Short Term	INR 1.5	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	INR 2.5	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	INR 1	ACUITE A4 (Reaffirmed)
04-Aug-2015	Term Loan I	Long Term	INR 0.17	ACUITE B+ / Stable (Assigned)
	Term Loan II	Long Term	INR 0.19	ACUITE B+ / Stable (Assigned)
	Term Loan III	Long Term	INR 0.72	ACUITE B+ / Stable (Assigned)
	Term Loan IV	Long Term	INR 5.87	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 0.05	ACUITE B+ / Stable (Assigned)
	Packing Credit	Short Term	INR 1.5	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	INR 2.5	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	INR 1	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.74	ACUITE B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE B+ / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	4.71	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:

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