

Press Release

Winner Overseas

June 10, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on 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. The firm has two shoe factory and one tannery situated in Chromepet, Chennai with capacity of manufacturing 700 pair of shoe uppers per day.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

WO has long standing presence of two decades in the industry, while its promoter, Mr. M. A. M. Balachander has an experience of around two decades in the leather business. The firm majorly exports its products to the countries like Germany, Italy, Spain, Portugal and France.

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.5.04 crore as on 31 March, 2019 as against Rs.4.66 crore in the previous year. The gearing stood average at 1.10 times as on 31 March, 2019 as against 1.47 times in the previous year. The total debt of Rs.5.57 crore includes term loan from bank of Rs.2.62 crore and working capital borrowings of Rs.2.95 crore. Interest Coverage Ratio (ICR) stood at 2.72 times in FY2019 as against 2.38 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.58 times as on 31 March, 2019 as against 2.61 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.18 times in FY2019 compared to 0.15 times in FY2018.

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

Weaknesses

• Moderate working capital intensive operations

The firm's operations are moderate working capital intensive marked by Gross Current Asset (GCA) of 93 days in FY2019 as compared to 118 days in FY2018. The inventory holding stood at 38 days in FY2019 compared to 42 days in FY2018. The collection period stood at 28 days in FY2019 compared to 31 days in FY2018. However, due to Covid-19 the firm's inventory holding and collection period has

spiked up to 60 days and 34 days respectively in FY2020 Provisional. Acuite believes that the firm will be able to manage its working capital operation as supported by high creditor days of 68 days in FY2020 Provisional.

• Modest scale of operations

WO has modest scale of operations despite having its presence in industry for almost two decades marked by operating income of Rs.30.59 crore in FY2019 as against Rs.34.04 crore in FY2018 and Rs.28.69 crore in FY2017. The firm has booked revenue of Rs.22.73 crore Provisional for FY2020. Further, the firm's operating margins have shown a fluctuating trend of 6.31 percent in FY2019 as against 6.46 percent in FY2018 and 7.34 percent in FY2017. The firm reported Profit after Tax (PAT) margin of 1.92 percent in FY2019 against 1.78 percent in FY2018 and 2.18 percent in FY2017.

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

Rating Sensitivities

- Stretch in Gross Current Asset (GCA) to 150-170 days.
- Substantial improvement in scale of operation (~Rs.33.00-45.00 crore), while maintaining profitability margin of around 6.50-8.50 per cent over the medium term.

Material Covenants

None

Liquidity position: Adequate

WO has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The firm generated cash accruals of Rs. 0.99 crore – Rs. 1.08 crore during the last three years through 2017-19, while the maturing debt obligations were in the range of Rs. 0.98 crore over the same period. The cash accruals are estimated to improve to Rs. 1.10 – 1.50 crores during 2020-22, while its repayment obligations are expected to be Rs.0.50 crore. The firm maintains cash and bank balances of Rs. 0.78 crore as on March 31, 2019. The current ratio stood moderate at 1.23 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of improvement in net cash accruals.

Outlook: Stable

Acuite believes that WO's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management and average 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	30.59	34.04
PAT	Rs. Cr.	0.59	0.61
PAT Margin	(%)	1.92	1.78
Total Debt/Tangible Net Worth	Times	1.10	1.47
PBDIT/Interest	Times	2.72	2.38

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

- <https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Mar-2019	Term Loan	Long Term	2.74	ACUITE B+ /Stable (Reaffirmed)
	Cash Credit	Long Term	0.05	ACUITE B+ /Stable (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Short Term Loan	Short Term	4.71	ACUITE A4 (Reaffirmed)
27-Dec-2017	Term Loan	Long Term	0.17	ACUITE B+ /Stable (Reaffirmed)
	Term Loan	Long Term	0.19	ACUITE B+ /Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE B+ /Stable (Reaffirmed)
	Term Loan	Long Term	5.87	ACUITE B+ /Stable (Reaffirmed)
	Cash Credit	Short Term	0.05	ACUITE A4 (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Short Term Loan	Short Term	0.50	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 Loan	April 2016	Not Applicable	Mar, 2023	1.49	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 Loan	Not Applicable	Not Applicable	Not Applicable	5.96	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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