

## Press Release

### Winner Overseas

August 17, 2021

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed its 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 Cr bank facilities of Winner Overseas (WO). The outlook is '**Stable**'.

The reaffirmation of ratings factors in the firm's experienced promoters, its long track record of operations, established relationship with its reputed clientele providing repeated business. The ratings remain constrained by the adverse impact of the Covid-19 pandemic, which has led to the significant decline in revenues and accruals in FY2021. The revenues for FY2021 declined by 52 percent to Rs.11.18 Cr vis-à-vis Rs.23.45 in FY2020. The rating continues to be constrained by high customer concentration risks. The rating further remains constrained by the weakness in demand in the company's key export markets which has adversely impacted its revenues over the last two years, i.e. in FY2020 and FY2021. The revenues and accruals are expected to remain muted in FY2022 due to the prolonged impact of the pandemic.

### About the company

Chennai based, Winner Overseas was established in 1998 and is engaged in manufacturing and exporting of shoe uppers. WO has its manufacturing facilities located in Chennai, Tamilnadu. WO is promoted & managed by Mr. M.A.M. Balachander, Mr. G. Bhaskar, Mr. S. M. Rajendran and Mr. B. Poornachandra.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Long track record of operations; experienced partners in the leather footwear and association with reputed Clientele**

The firm established in 1998, is involved in the manufacture and export of shoe Uppers for over three decades. WO is promoted by Mr. M.A.M. Balachandar, Mr. SM Rajendran, Mr. G Baskar, Mr. B. Poornachandra, who have been involved in the leather footwear for more than two decades, which leads to well-established relationships with its customers, which helped the firm in getting repeat orders. WO exports leather shoe uppers to reputed global clients - LLOYD SHOES GMBH (GERMANY) and it contribute over 70 percent of the total revenue. Acuité believes that the partner's experience, vintage of operations, reputed clientele is expected to support its business risk profile over the medium term.

- **Above-average financial risk profile**

WO has above-average financial risk profile characterised by moderate gearing (debt-to-equity), moderate total outside liabilities to total net worth (TOL/TNW) and above-average coverage indicators. The net worth of the firm improved to Rs.5.47 Cr as on 31 March 2021 as against Rs.5.23 Cr as on 31 March 2020. The company has capital structure marked by healthy gearing (debt-Equity) and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.69 times and 1.04 times respectively as on 31 March 2021 (Prov.) vis-à-vis 0.89 times and 1.55 times respectively as on 31 March 2020. WOS's debt protection metrics are moderate marked by interest coverage ratio at 3.48 times and NCA/TD of 0.21 times for FY 2021 (Prov.) as vis-à-vis 3.76 times and 0.27 times for FY2020 while the Debt Service Coverage Ratio (DSCR)

stood around 1.02 times in FY2021 (Prov.) and 1.18 times for FY2020. Acuité believes that the financial risk profile will continue to be at similar levels.

## Weaknesses

### • Working capital intensive nature of Operations

WO's operations are working capital intensive marked by its gross current assets (GCA) days of 93-127 days during FY2019-FY2021. The Debtor realisation and inventory days were in the range of 26-28 days and 38-108 days respectively during last 3 years ended with FY2021 (Provisional). The Company is receiving low credit of 29-83 days from suppliers during last 3 years ended with FY2021 (Provisional). Its working capital limits were utilised efficiently at ~53 percent over the 6 months ended June 2021. Acuité believes that WO's operations are continued to be at moderate levels over the medium term.

### • Impact of Covid-19 pandemic on the operating performance

WO is an export-oriented firm and has witnessed sluggish demand from its key export destination Germany, over the last three of years, which has impacted the revenues over this period. The firms' operating performance was significant decline in revenues and accruals due to impact of Covid-19. WO's has reported revenues of Rs.11.18 Cr in FY2021 declined by 52 percent against Rs. 23.45 Cr in FY2020. Acuité believes that significant improvement of its revenues and profitability and the timing of pickup in demand would remain a monitorable over the medium term.

## Rating Sensitivity

- Improvement in scale, profitability metrics
- Any significant deterioration in its overall financial risk profile, any major capital expenditure, stretch in the working capital cycle or deterioration in liquidity position

## Material covenants

None

## Liquidity Position: Stretched

The firm has stretched liquidity position marked by tightly matching net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs.0.75-1.25 Cr for last three years ending through FY2021 (Provisional) while its maturing debt obligation stood in the range of Rs.0.75-1.00 Cr for the same period. Going forward, the cash accruals are expected to be in the range of Rs.1-2 Cr against the debt obligation of around Rs.1-1.5 Cr for the period of FY2022-24. If any shortfall was met through Guaranteed Emergency Credit Line (GECL) of Rs.0.70 Cr. The firm has maintained low unencumbered cash and bank balances Rs.1.17 Cr and the current ratio stood at 1.16 times as on March 31, 2021 (provisional). Acuité believes that the liquidity of company is likely to remain stretched over the medium term on account of moderate cash accruals against the repayment obligations over the medium term

## Outlook: Stable

Acuité believes that WO will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in the revenues or profitability or significant withdrawal of capital leading to further stretch in its creditors and liquidity.

## About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	11.18	23.45
PAT	Rs. Cr.	0.42	0.85
PAT Margin	(%)	3.72	3.63
Total Debt/Tangible Net Worth	Times	0.69	0.89
PBDIT/Interest	Times	3.48	3.76

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

None

## 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>
- Application of 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
10-June-2020	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	0.05	ACUITE B+/Stable (Reaffirmed)
	Term loan	Long Term	1.49	ACUITE B+/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Banking Facility	Short Term	5.96	ACUITE A4 (Reaffirmed)
04-March-2019	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	0.05	ACUITE B+/Stable (Reaffirmed)
	Term loan	Long Term	2.74	ACUITE B+/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Proposed Banking Facility	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)
	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)
	Cash Credit	Long Term	0.05	ACUITE B+/Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	0.50	ACUITE A4 (Assigned)

**\*Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Canara Bank	PC / FDB / FBE	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE B+/ Stable (Reaffirmed)
Canara Bank	Term Loan	APRIL-2015	10.15	December, 2022	0.82	ACUITE B+/ Stable (Reaffirmed)
Canara Bank	Term Loan	17-06-2021	9.70	28-02-2027	0.30	ACUITE B+/ Stable (Reaffirmed)
Canara Bank	Working Capital Term Loan	04-06-2020	7.50	03-06-2024	0.70	ACUITE B+/ Stable (Reaffirmed)
Canara Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)
Not Applicable	Proposed Banking Facility	Not Applicable	Not Applicable	Not Applicable	6.13	ACUITE A4 (Reaffirmed)
Not Applicable	Proposed Banking Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)

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