

Press Release

Shamsons Polymers Private Limited (SPPL)

11 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.14.50 Cr
Long Term Rating	SMERA BB/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+** (**read as SMERA A four plus**) on the Rs.14.50 crore bank facility of Shamsons Polymers Private Limited (SPPL). The outlook is '**Stable**'.

Shamsons Polymers Private Limited (SPPL), incorporated in 1993 is led by Mr. Deepak Batra and Mr. Varun Batra. The company is engaged in the manufacture of footwear (sports, casual shoes, hawai chappals and sandals) at Sahibabad and Noida, in Uttar Pradesh as also at Narela in Delhi. The company has manufacturing capacity of 300,000 pairs per shift per month.

To arrive at the ratings, SMERA has combined the business and financial risk profiles of Shamsons Industries (SI) and Shamsons Polymers Private Limited (SPPL), together referred to as the 'Shamsons Group'. The consolidation is in view of the significant business synergies, common management and financial linkages between the entities.

List of key rating drivers and their detailed description:

Strengths:

Experienced management:

The promoters, Mr. Deepak Batra and Mr. Varun Batra have around two decades of experience in the footwear industry.

Established marketing and distribution channel: The group has a well-established distributor network and also sells products through e-commerce websites such as Amazon, Flipkart, Jabong to name a few.

Comfortable financial risk profile: The financial risk profile is marked by conservative gearing, healthy net worth and comfortable debt protection metrics. The gearing is low and comfortable at 0.68 times as on 31 March, 2016 as compared to 0.83 times as on 31 March, 2015. The debt mainly comprises short term working capital limit of Rs.12.91 crore and term loan of Rs. 0.83 crore in FY2016. The net worth base is healthy at Rs.20.09 crore (includes unsecured loans of Rs.8.38 crore from promoters) as on 31 March, 2016. SMERA has treated unsecured loans of Rs. 8.38 crore as quasi equity based on confirmation from the management that the amount would be retained in the business over the medium term. The interest coverage and debt service coverage ratios stood at 2.64 times and 2.33 times respectively in FY2016. In FY2015, the interest coverage ratio stood at 2.31 times while the debt service coverage ratio stood at 2.22 times. SMERA

believes that, going forward the group will maintain the comfortable financial risk profile over the medium term backed by steady accruals in the absence of major capex plans.

Weaknesses:

Modest scale of operations amidst intense competition:

The modest scale of operations is characterised by operating income of around Rs.55.00 crore in FY2016-17 (Provisional) as against Rs.43.52 crore in FY2015-16.

The group has an established brand presence and operates in a highly competitive and fragmented industry among various unorganised and organised players. Further, the group faces competition from e-commerce portals such as, Flipkart, Snapdeal, Ebay where similar players operate.

Working capital intensive operations: The operations are working capital intensive marked by gross current assets days of 334 in FY2016 vis-à-vis 224 in FY2014-15. This is mainly on account of increase in inventory days to 245 days (vis-à-vis 101 days in FY2015) and debtors of 147 days (vis-à-vis 100 days in FY2015) in FY2016.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Criteria for consolidation of companies: <https://www.smerra.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the group will maintain a stable outlook in the medium term owing to its experienced management and established marketing and distribution channel. The outlook may be revised to 'Positive' in case the group registers substantial growth in revenues and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of large debt funded capex leading to deterioration in the financial risk profile of the group.

About the group

The Shamsons Group is engaged in the manufacturing of footwear – sports shoes, casuals, sandals and floaters.

Analytical approach: SMERA has considered the consolidated business and financial risk profile of Shamsons Industries and Shamsons Polymers Private Limited.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	7.00	SMERA BB/Stable (Assigned)
Letter of Credit*	N.A	N.A	N.A	2.50	SMERA A4+ (Assigned)
Term Loan	N.A	N.A	N.A	2.26	SMERA BB/Stable (Assigned)
Proposed Long Term	N.A	N.A	N.A	2.74	SMERA BB/Stable (Assigned)

*Fully interchangeability with bank guarantee

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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