

Press release

S And T Welcare Equipments Private Limited

10 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	SMERA BBB-/Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.8.75 crore bank facilities of S And T Welcare Equipments Private Limited (STWL). The outlook is '**Stable**'.

STWL (the erstwhile, Shantan Welcare Private Limited) was incorporated in 1998 by Mr. Doraiswamy Shanmugasundaram and Mr. Palaniswamy Thangavel. The company is engaged in the trading of fitness equipments and sells various fitness brands including Steel Flex, Intenza, Sportop and First Degree Fitness.

Key Rating Drivers

Strengths

Experienced management

STWL was incorporated in 1998 by Mr. Shanmugasundaram, Managing Director and Mr. Thangavel, Director who possess over two decades of experience in the fitness equipment industry. It has a pan India presence with 18 retail stores, 25 franchisee outlets and 40 dealers located across India.

Diversified customer base

The company has a diversified customer base and geographical presence which is expected to mitigate revenue fluctuations. The company supplies equipments to gymnasiums, hotels, resorts, club houses and hospitals. Out of the total revenue of Rs.32.30 crore for FY2017, ~63 percent was from commercial users, ~34 percent from households and the balance from sale of accessories.

Weaknesses

Modest scale of operations

STWL has modest scale of operations marked by operating income of Rs.32.61 crore in FY2017 as against Rs.27.64 crore in FY2016. Further, the group achieved revenue of Rs.34.87 crore for the period April to December 2017 (Provisional).

Susceptibility of profitability margins to intense competition

STWL operates in a highly competitive and fragmented industry characterised by a large number of players affecting margins. In FY2017 the operating margins dropped to 4.59 percent from 6.46 percent in FY2016. The PAT margins are also low at 1.54 percent in FY2017 as against 1.37 percent in FY2016.

Increase in working capital levels

STWL's operations are marked by increase in Gross Current Asset (GCA) at 154 days in FY2017 compared

to 94 days in FY2016. The inventory levels also increased to 63 days in FY2017 compared to 46 days in FY2016. The average cash credit utilisation for the past six months stood at ~90 percent.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of STWL.

Outlook: Stable

SMERA believes that STWL will maintain a stable outlook over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins, or deterioration in the working capital levels.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.61	27.64	23.66
EBITDA	Rs. Cr.	1.50	1.79	1.37
PAT	Rs. Cr.	0.50	0.38	0.30
EBITDA Margin	(%)	4.59	6.46	5.77
PAT Margin	(%)	1.54	1.37	1.26
ROCE	(%)	24.09	32.19	42.12
Total Debt/Tangible Net Worth	Times	1.25	3.30	4.52
PBDIT/Interest	Times	2.37	1.57	1.94
Total Debt/PBDIT	Times	2.11	2.32	3.32
Gross Current Assets (Days)	Days	154	93	95

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

Any other information: None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading entities-<https://www.smera.in/criteria-trading.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 (Upto 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	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB- / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A3

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ABOUT SMERA

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