

## Press release

### S And T Welcare Equipments Private Limited

10 April, 2018

### Rating Assigned



|                                     |                   |
|-------------------------------------|-------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 8.75 Cr.      |
| <b>Long Term Rating</b>             | SMERA BBB-/Stable |
| <b>Short Term Rating</b>            | 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            |

**Contacts:**

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**ABOUT SMERA**

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