

Press Release

S And T Welcare Equipments Private Limited

March 15, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.75	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	5.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite has reaffirmed the **long-term rating of 'ACUITE BB+' (read as ACUITE Double B plus) and the short term rating of 'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.10.00 crore bank facilities of S and T Welcare Equipments Private Limited (STWPL). Outlook is 'Stable'.

Rationale for reaffirmation

The rating action takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and moderate financial risk profile. These strengths are, however, partly offset by the intensive working capital operations

About Company

Tamil Nadu based, S and T Welcare Equipments Private Limited (Erstwhile Shanthan Exports and Imports Private Limited) was incorporated in the year 1998 by Mr. Doraiswamy Shanmugasundaram and Mr. Palaniswamy Thangavel. The company is engaged in trading of fitness equipment under its own brandname 'Welcare'. The company has a pan India presence with 90 plus brand stores retail stores, franchises outlets and 80 plus dealers. The company also sells products through online platforms. The company also trades fitness equipment of other brands such as Steel Flex, Intenza, Sportop, First degree fitness and many more.

About the Group

Maxpro Amazing Equipments Private Limited was incorporated in FY 20 for catering the revenue through online platforms. The company is engaged in trading of fitness equipment.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For analytical purposes, Acuite has consolidated the business and financial risk profiles S and T

Welcare Equipments Private Limited and its subsidiary i.e. Maxpro Amazing Equipments Private Limited together known as 'S and T Welcare Group'. The consolidation is majorly on account of common management with operational and financial linkages across the companies. Approach has been changed from Standalone to consolidation.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

STWPL was incorporated in 1998 by Mr. Shanmugasundaram, Managing Director and Mr. Thangavel, Director who have over two decades of experience in the fitness equipment trading industry. The company has a diversified customer base and geographical presence mitigating the risk of revenue fluctuations. Acuité believes that the company will maintain a stable business profile backed by its experienced management and established track record.

Augmentation in business risk profile

S and T Welcare Group operations has improved reflected by growth in consolidated revenue from operations by 14.34% in FY2022 to Rs.83.98 crore as against Rs.73.45 crore for FY2021. Furthermore, the group has recorded revenue of ~Rs 80 crore till February 2023. Currently, the group has orders in hand of ~Rs 30 crore. ROCE of the group stood at 22.48 percent in FY2022.

Growth in operations is driven by continuous demand of the fitness equipment of various brands traded by STWPL. The demand is also attributable to the health and fitness conscious individuals in the current scenario.

The operating profit margin of the group improved by 138 bps and stood at 4.71 percent for FY 22 in comparison to 3.32 percent in FY 21 however there is minuscule improvement of 9 bps at 4.71% in FY2022 in comparison to pre covid level. (4.62% in FY2020).

Moderate Financial risk profile

The group's financial risk profile is moderate marked by moderate net worth of Rs.7.80 crore as on 31 March 2022 as against Rs.5.83 crore as on 31 March, 2021. The group follows moderate leverage policy. The gearing (debt-equity) stood at 1.38 times as on 31 March, 2022 as against 1.56 times as on 31 March, 2021. The improvement is majorly on account of accretion of reserves.

The interest coverage ratio stood comfortable at 4.35 times for FY2022 as against 2.48 times for FY2021. The DSCR stood at 1.44 times for FY2022 as compared to 0.91 times for FY2021. Coverage indicator in FY 22 are higher due to high operating margin in FY 22 in comparison to FY 21.

The Net Cash Accruals to Total debt stood at 0.22 times as on FY2022 and 0.12 times for FY2021. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 3.29 times in FY2022 as against 4.01 times for FY2021. Debt to EBITDA stood at 2.65 times for FY 22 as against 3.47 times for FY 21.

Weaknesses

Working capital management

The group's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 98 days as on March 31, 2022 as against 94 days as on March 31, 2021. The Inventory days stood moderated at 63 days as on March 31, 2022 as against 52 days as on March 31, 2022 while the debtor days improved to 26 days as on March 31, 2022 as against 29 days March 31, 2021. The creditor days stood moderated at 30 days as on March 31, FY2022 as against 34 days as on March 31, 2022.

Utilization of fund based working capital limits remains high at ~82 percent and Non fund based Limit utilization at ~59 percent in last one year ended January 2023.

Rating Sensitivities

Significant Improvement in revenues and profitability

Stretch in working capital cycle leading to deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity Position

Adequate

The group's liquidity profile remained adequate marked by adequate net cash accruals against its maturing debt obligations. The group generated cash accruals of Rs.2.38 Cr in FY2022 as against its maturing debt obligation of 1.37 Cr in the same period. The adequate liquidity position is also supported by additional cushion available in working capital limits. (~82% utilization in last one year ended January 2023). The group maintains unencumbered cash and bank balances of Rs. 0.36 crore as on March 31, 2022. The current ratio of the group stood at 1.24 times as on March 31, 2022.

Outlook: Stable

Acuité believes that group will maintain a 'Stable' outlook over the medium term backed by its experienced management and established track record. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues and profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue and profitability, stretch in its working capital cycle leading to deterioration in financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	83.98	73.45
PAT	Rs. Cr.	2.06	0.71
PAT Margin	(%)	2.46	0.96
Total Debt/Tangible Net Worth	Times	1.38	1.56
PBDIT/Interest	Times	4.35	2.48

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Dec 2021	Letter of Credit	Short Term	4.50	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.75	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
18 Sep 2020	Cash Credit	Long Term	4.00	ACUITE BB+ (Withdrawn)
	Bank Guarantee	Short Term	0.75	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A4+ (Withdrawn)
	Cash Credit	Long Term	4.75	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.75	ACUITE BB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE A4+ Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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