



SMERA RATINGS LIMITED

Freewill Sports Private Limited (Freewill)

*Rating
Rationale*

October 29, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.25	SMERA BBB+/ Stable (upgraded from SMERA BBB/Stable)
Term Loan	1.73	SMERA BBB+/ Stable (upgraded from SMERA BBB/Stable)
Bank Guarantee	6.00	SMERA A2 (Reaffirmed)

SMERA has upgraded the rating on the Rs.8.98 crore long-term bank facilities of Freewill Sports Private Limited (Freewill) to '**SMERA BBB+ (read as SMERA triple B plus)**' from 'SMERA BBB'. The outlook is '**Stable**'. SMERA has also reaffirmed the rating of '**SMERA A2**' on the Rs.6.00 crore short-term bank facility of Freewill. The upgrade reflects healthy growth in revenue and operating profit margin reported by the company in FY2013-14 (refers to financial year, April 01 to March 31). The ratings continue to draw comfort from the company's established track record of operations, strong market position, healthy financial profile and comfortable coverage indicators. The ratings also draw comfort from the company's strong marketing network.

Update

Freewill registered healthy growth in revenues and operating profit margin during FY2013-14. The company's revenues increased from Rs.92.01 crore in FY2012-13 to Rs.114.71 crore in FY2013-14. Freewill's operating profit margin increased from 8.88 per cent in FY2012-13 to 11.66 per cent in FY2013-14 on account of cost rationalization measures undertaken by the management.

Freewill's interest coverage ratio increased from 9.64 times in FY2012-13 to 12.19 times in FY2013-14. The company's net cash accruals increased from Rs.5.33 crore in FY2012-13 to Rs.8.72 crore in FY2013-14. SMERA believes Freewill will register healthy growth in revenues and profitability over the medium term on the back of spurt in demand for sports goods.

Outlook: Stable

SMERA believes Freewill will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability. The outlook may be revised to 'Negative' in case of significant deterioration in the company's financial profile.

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About the company

Freewill was established in 1934 by Mr. Nihalchand Kharbanda (father of Mr. Vijay Kharbanda) as a proprietorship concern named Freewill & Company. In 1965–66, the proprietorship concern was converted into a partnership firm with Mr. Vijay Kumar Kharbanda and Mr. Nihalchand Kharbanda as partners. In 1984–85, the partnership firm was reconstituted as a private limited company. The overall operations of Freewill are currently managed by Mr. Vijay Kharabanda and Mr. Rajesh Kharabanda.

Freewill is engaged in manufacturing, trading and distribution of various sports goods and accessories. The company's product portfolio includes footballs, volleyballs, sports mats, shin guards and gloves. Freewill also undertakes trading of sports shoes, basketballs, medicine balls, leather pasted volley ball nets, skates, badminton shuttle cocks, training aids, basket balls boards, cricket tennis balls, other tennis balls, lawn tennis goods racquets, water polo balls, dumbbells, fitness equipment and gym belts. The company is a member of several sports associations including the Basketball Federation of India, Volleyball Federation of India and Football Association of India. Freewill manufactures balls approved by FIFA, All India Football Federation, Volleyball Federation of India and Basketball Federation of India. The products manufactured by the company are sold under the brand names of 'NIVIA' and 'AIVIN'. The NIVIA brand has a very strong visual presence at traditional retail counters, organized retail outlets and organized e-commerce markets. Moreover, the NIVIA brand is advertised in movies and endorsed by celebrities. Freewill's marketing network comprises ~1,200 dealers across India.

For FY2013–14 Freewill reported profit after tax (PAT) of Rs.6.80 crore on revenue of Rs.114.71 crore. The company's net worth stood at Rs28.30 crore as on March 31, 2014.

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