

Press Release

Sanspareils Greenlands Private Limited

29 December, 2017

Rating Upgraded



Total Bank Facilities Rated	20.00 Cr.
Long Term Rating	SMERA A-/Stable (Upgraded from SMERA BBB+/Stable)

SMERA has upgraded the long term rating on the Rs. 20.00 crore bank facilities of Sanspareils Greenlands Private Limited (SGPL) to '**SMERA A-**' (**read as SMERA A minus**) from '**SMERA BBB+**' (**read as SMERA triple B minus**). The outlook is '**Stable**'.

SGPL was incorporated in 1979 by Mr. Kailash Chandra Anand and Mr. Triloknath Anand. The company is engaged in the manufacturing of cricket gear under the brand 'SG'. Apart from cricket gear, the company also manufactures premium shoes, clothing and travel gear under the brand name 'Maxxport'. The manufacturing facility is located at Meerut, Uttar Pradesh.

The company is the lead supplier to the Board of Control for Cricket in India (BCCI) and has established relations with reputed brand 'Kookabura' for cricket gear.

The upgrade is in view of the rising popularity of cricket with introduction of newer formats, thereby generating incremental demand for cricket gears.

SMERA believes that SGPL will sustain the business risk profile on account of its established market presence in the industry.

Strengths

Established track record of operations and experienced management

The management has extensive experience in the industry.

Established market presence with diversified product portfolio

SGPL has a competitive advantage in the domestic market since it is the only domestic cricket goods manufacturing company, whose red ball (used only in test matches) is approved by the BCCI (Board of Control for Cricket in India). The company also manufactures leather balls, bats, protective equipment, cricket accessories, shoes and apparels (under the brand name 'Maxxport'), thereby maintaining a diversified product portfolio.

Established relationship with reputed clients

The company has a reputed customer base which includes Kookaburra Sports Private Limited (UK), JRT Crampton, Board of Control for Cricket India (BCCI) and Unicorn Products Limited to name a few. It has established relationships with these customers for more than four decades which helps it to benefit from repeat orders. As on November 2017, the company had orders in hand of Rs. 17.00 crore from Kookaburra and Unicorn.

Healthy financial risk profile

The financial risk profile of SGPL is healthy marked by net worth of Rs. 51.15 crore as on 31 March 2017 as against Rs. 46.40 crore as on 31 March 2016. The gearing stood at 0.16 times as on 31 March 2017 as against 0.26 times as on 31 March 2016. The total outstanding debt of Rs. 8.41 crore as on 31 March 2017 comprises term loan of Rs. 1.17 crore and working capital limit from the bank of Rs.7.24 crore. The Interest Coverage Ratio (ICR) is healthy at 9.56 times in FY2017 as against 6.65 times in FY2016. The improvement is on account of decrease in interest cost in FY2017 over FY2016. The Debt Service Coverage Ratio (DSCR) is healthy at 7.10 times in FY2017 as against 5.04 times in FY2016.

The net cash accruals stood healthy at Rs.7.83 crore in FY2017 as against Rs. 6.64 crore in FY2016. The NCA/TD stood at 0.93 times in FY2017 as against 0.54 times in FY2016.

SMERA believes that SGPL will maintain a healthy financial risk profile on the back of healthy net cash accruals and absence of debt funded capex plan.

Comfortable profit margins

The profitability margins have been uneven during the period FY2014 to FY2017. The EBITDA margin declined to 9.28 percent in FY2017 from 9.86 percent in FY2016 mainly due to increase in raw material cost.

The PAT margin stood at 4.75 percent in FY2017 as against 4.59 percent in FY2016 and 4.26 percent in FY2015.

Weaknesses

Working capital intensive operations

The company has working capital intensive operations marked by high Gross Current Asset (GCA) days of 167 in FY2017 and 206 in FY2016. This is majorly on account of high inventory holding period of 100 days in FY2017 although it declined from 143 days in FY2016. The debtor days stood at 51 in FY2017 as against 53 in FY2016. The creditor days stood at 50 in FY2017 as against 60 in FY2016. The bank limit utilisation stood at ~32 percent for the six months ended November 2017.

Highly competitive and fragmented industry

The sports goods industry is highly competitive and fragmented. SGPL faces stiff competition from Kookaburra (a Melbourne based cricket gear manufacturing company) which holds ~85 percent global market share in the cricket balls segment.

SMERA believes that despite a highly competitive market, SGPL will be able to maintain its presence in the domestic market mainly on account of its long presence in cricket gear manufacturing and recognition by the technical committee of BCCI.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of SGPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Outlook – Stable

SMERA believes that the company will maintain a Stable outlook in the medium term on account of its promoters' experience in the industry and established market presence. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue, profit margins and deterioration in the working capital cycle.

About the rated entity - key financials

In FY2017, the company reported profit after tax (PAT) of Rs.6.23 crore on operating income of Rs.131.03 crore as against net profit of Rs.5.06 crore on operating income of Rs.110.39 crore in the previous year. The tangible net worth stood at Rs.51.15 crore as on 31 March, 2017 as against Rs. 46.40 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Sep, 2016	Pre-shipment Credit	Long Term	16.50*	SMERA BBB+ / Stable (Reaffirmed)
	Proposed long term	Long Term	3.50	SMERA BBB+ / Stable (Reaffirmed)
29-Jun, 2015	Pre-shipment Credit	Long Term	16.50*	SMERA BBB+ / Stable (Reaffirmed)
	Proposed long term	Long Term	3.50	SMERA BBB+ / Stable (Reaffirmed)
08-Apr-2014	Pre-shipment Credit	Long Term	16.50*	SMERA BBB+ / Stable (Assigned)

	Proposed long term	Long Term	3.50	SMERA BBB+ / Stable (Assigned)
--	--------------------	-----------	------	--------------------------------

**Includes sublimit of Overdraft to the extent of Rs. 9.00 Crore, Short Term Loans to the extent of Rs. 7.00 Crore, Overdraft for MSME Vendors to the extent of Rs. 0.05 Crore, Export Bill Discounting to the extent of Rs. 12.00 Crore, Import Letter of Credit to the extent of Rs. 3.00 Crore and Bond & Guarantee to the extent of Rs. 1.00 Crore.*

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Pre-shipment Credit	Not Applicable	Not Applicable	Not Applicable	17.50* (Revised from Rs. 16.50 Cr.)	SMERA A-/Stable (Upgraded from SMERA BBB+/Stable)
Proposed long term	Not Applicable	Not Applicable	Not Applicable	2.50 (Revised from Rs. 3.50 Cr.)	SMERA A-/Stable (Upgraded from SMERA BBB+/Stable)

**Includes sublimit of Overdraft to the extent of Rs. 9.00 crore, Short Term Loans to the extent of Rs. 7.00 crore, Overdraft for MSME Vendors to the extent of Rs. 0.05 crore, Export Bill Discounting to the extent of Rs. 12.00 crore, Import Letter of Credit to the extent of Rs. 3.00 crore and Bond & Guarantee to the extent of Rs. 1.00 crore.*

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.