Press Release

Sanspareils Greenlands Private Limited

February 20, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A-**' **(read as ACUITE A minus)** on the Rs. 20.00 crore bank facilities of Sanspareils Greenlands Private Limited (SGPL). 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 'SG' and '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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SGPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  The company was incorporated in 1979 by Mr. Kailash Anand (Chairman and Managing Director), he looks after product research and development, Mr. Trilok Anand (Commercial Director) is with SGPL for more than 40 years, Mr. Puneet Anand (Operations Director) is with SGPL since 1986 and looks after operations strategy, logistics, IT and relationship management, Mr. Paras Anand (Marketing Director) is with SGPL since 1997.

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

- **Healthy financial risk profile**
  The financial risk profile of SGPL has remained comfortable marked by healthy net worth and moderate debt coverage indicators. The tangible net worth stood at Rs.58.35 crore as on 31 March, 2018 (PY: Rs. 51.15 crore) which includes unsecured loans to the tune of Rs. 5.78 crore as quasi equity. The gearing stood at 0.21 times as on 31 March, 2018 (PY: 0.16 times). Further, the gearing is estimated to remain in the range of 0.30 times for FY2019 and FY2020 on account of capital expenditure plan undertaken by the company in order to increase the existing capacity levels for manufacturing of bats, balls, apparels, protective gear and sport bags. The total debt of Rs. 12.09 crore outstanding as on 31 March, 2018 comprises Rs. 1.04

crore as a term loan and Rs. 11.05 crore as a working capital limit from the bank. The ICR is healthy at 13.78 times in FY2018 as against 9.56 times in FY2017. The ICR has improved on account of decline in interest cost coupled with improvement in operating profits. The DSCR stood moderate at 5.71 times in FY2018 as against 4.10 times in FY2017. Debt/EBITDA stood at 0.80 times in FY2018 as against 0.69 times in FY2017. The net cash accruals stood healthy at Rs. 10.52 crore in FY2018 as against Rs. 7.83 crore in FY2017. The NCA improved on account of improvement in profitability in FY2018 over FY2017.
The financial risk profile of SGPL is expected to remain comfortable in the medium term considering the additional debt for the capital expenditure plan on the back of healthy generation of net cash accruals.

- **Continuous improvement in operating income and profitability**

The company has registered continuous growth in revenues during the period FY2016 to FY2018 under the study. The revenue stood at Rs. 150.20 crore for FY2018, Rs. 131.03 crore in FY2017 and Rs. 110.39 crore in FY2016. Further, the company has booked revenue of Rs. ~113.00 crore for the period April to December, 2018. The company has orders in hand of Rs. ~14.00 crore as on date and the company has on going orders. The profitability margins of the company are continuously growing and comfortable during the period FY2016 to FY2018 under the study. The operating margin stood at 9.85 percent for FY2018 as against 9.28 percent in FY2017. The margins have improved on account of decline in raw material cost i.e willow and leather. The net profitability has also improved to 5.77 percent in FY2018 (PY: 4.75 percent) on account of decline in interest cost (company received 2 percent interest subsidy from the government in order to boost exports - Interest Subvention Scheme) coupled with improvement in operating profits in FY2018 as compared to FY2017.

- **Improvement in working capital cycle**

The company has comfortable working capital operations marked by moderate GCA of 177 days in FY2018 as against 167 days in FY2017. The gross current assets are moderate majorly on account of high current assets which includes majorly advance income tax paid by the company. The inventory days have improved to 90 days in FY2018 as against 100 days in FY2017 due to better realisation from inventory. The receivable days stood at 64 in FY2018 as against 51 days in FY2017. The company has gets payments within 60 to 90 days once the order is been delivered. The creditor days are moderate and ranged between 50 to 55 days for past three years. The current ratio stood comfortable at 1.88 times as on 31 March, 2018 (PY: 1.86 times). The company has healthy unencumbered cash and bank balance which stood at Rs. 7.20 crore as on 31 March, 2018. The average bank limit utilisation stood comfortable at 55.05% for the last six months ended December, 2018.

Weaknesses

- **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. Acuité 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 Board of Control for Cricket India (BCCI).

Liquidity Profile

SGPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. SGPL generated cash accruals of Rs.6.00 crore to Rs.10.52 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.94 crore over the same period. The cash accruals of SGPL are estimated to remain around Rs.11.00 crore – Rs. 16.00 crore during 2019-21, while its repayment obligation are estimated to be around Rs.1.60 crore – Rs.2.00 crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 177 in FY 2018. This has led to lower reliance on working capital borrowings, the working capital limit in the company remains utilised at 60 percent during the last 12 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.7.20 crore as on March 31, 2018. The current ratio of SGPL stands healthy at 1.84 times as on March 31, 2018. The company is likely to incur capex of Rs.12.00 crore in the current fiscal which is likely to be funded by promoter's contribution and external borrowing. Acuite believes that the liquidity of SGPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	150.20	131.03	110.39
EBITDA	Rs. Cr.	14.80	12.15	10.89
PAT	Rs. Cr.	8.66	6.23	5.06
EBITDA Margin	(%)	9.85	9.28	9.86
PAT Margin	(%)	5.77	4.75	4.59
ROCE	(%)	20.25	18.01	16.47
Total Debt/Tangible Net Worth	Times	0.21	0.16	0.26
PBDIT/Interest	Times	13.78	9.56	6.65
Total Debt/PBDIT	Times	0.80	0.69	1.12
Gross Current Assets (Days)	Days	177	167	206

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Dec-2017	Packing Credit	Long Term	17.50* (Enhanced from Rs. 16.50 crore)	ACUITE A- / Stable (Upgraded from ACUITE BBB+/Stable)
	Proposed Long Term Loan	Long Term	2.50	ACUITE A- / Stable (Upgraded from ACUITE BBB+/Stable)
24-Sep-2016	Packing Credit	Long Term	16.50*	ACUITE BBB+ /Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.50	ACUITE BBB+ /Stable (Reaffirmed)
29-Jun-2015	Packing Credit	Long Term	16.50*	ACUITE BBB+ /Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.50	ACUITE BBB+ /Stable (Reaffirmed)

** Post shipment credit 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. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	17.50*	ACUITE A- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A- / Stable

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Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Namita Palve Analyst - Rating Operations Tel: 02249294034 namita.palve@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
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