

Press Release

Sanspareils Greenlands Private Limited

October 23, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.26.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.20.00 crore bank facilities of SANSPAREILS GREENLANDS PRIVATE LIMITED. The outlook is '**Stable**'.

Further, Acuite has assigned long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.6.00 crore bank facilities of SANSPAREILS GREENLANDS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 1979, Sanspareils Greenland Private Limited (SGPL) 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 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. SGPL is promoted by Mr. Kailsah Chandra Anand, Mr. Puneet Anand, Mr. Paras Juny Anand and Mr. Triloknath Anand. SGPL has its manufacturing unit located in Meerut (Uttar Pradesh).

Analytical Approach

For arriving at its rating, Acuite has taken a standalone view of the business and financial risk profile of SGPL.

Key Rating Drivers

Strengths

• Established track record of Operations and experienced management

The promoters of SGPL, Mr. Kailash Anand, Mr. Triloknath Anand, Mr. Puneet Anand and Mr. Paras Juny Anand are seasoned players in the said industry. Further, having four decades of operational track record has enabled the company to maintain healthy relations with its customers and suppliers. The extensive experience of the promoters is also reflected through its healthy revenue growth rate of 11.27 per cent in FY2019 over FY2018. The revenues of the company stood Rs.162.77 crore in FY2019 as compared to Rs.150.20 crore in the previous year and operating margins stood improved and stood at 11.27 per cent in FY2019 as against 9.85 per cent in FY2018.

Acuite believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit SGPL over the medium term.

• Healthy Financial Risk Profile

SGPL has healthy financial risk profile marked by healthy net worth, healthy coverage indicators and low gearing. The net worth of the company has sequentially improved to Rs.62.63 crore as on 31 March, 2019 as against Rs.51.15 crore as on 31 March, 2017 on account of moderate accretion to reserves, the latter is a result of moderate operating margins.

The company has followed a conservative financial policy in the past, the same is also reflected through its gearing levels. The gearing level (debt-equity) stood at 0.33 times as on 31 March, 2019 as against 0.21 times as on 31 March, 2018. The gearing of the company is expected to remain low over the medium term on account of absence of any debt funded capex plans in the future and modest incremental working capital requirements, which is likely to be completely funded by the cash accruals of the company. The total debt of Rs.20.72 crore outstanding as on 31 March, 2019 comprises Rs.6.89 crore as a term loan and Rs.13.82 crore as a working capital limit from the bank.

Operating income of the company have improved by ~11 percent in FY2019 over FY2018, and operating margins have also improved to 11.27 per cent in FY2019 as against 9.85 per cent in FY2018,

simultaneously the total debt of the company has also increased leading to downfall in the interest coverage indicators. However, the interest coverage still remains healthy and stood at 8.42 times in FY2019 as against 13.78 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.55 times in FY2019 and 0.87 times in FY2018. Debt/EBITDA stood at 1.11 times in FY2019.

Acuite believes that the financial risk profile of the company is expected to remain moderate backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

- **Reputed Clientele and established market presence**

The company has a reputed customer base which includes Kookaburra Sports Private Limited (UK), JRT Crompton, Board of Control for Cricket India (BCCI) and Unicorn Products Limited to name a few. Further company 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.

Weaknesses

- **Working Capital intensive nature of Operations**

Operations of SGPL are working capital intensive marked by Gross Current Asset (GCA) of 173 days in FY2019 as compared to 174 days in FY2018. This is on account of debtors' collection period of 69 days in FY2019 as against 62 days in FY2018 and inventory holding period of 93 days in FY2019 as against 90 days in FY2018. However, current ratio of the company stood moderate at 1.70 times as on 31 March, 2019 as against 1.86 as on 31 March, 2018. Acuite believes that the working capital operations of SGPL will continue to remain intensive on account of high level of inventory holding period.

- **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. Acuite 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.11.46 crore in FY2019 against debt obligation of Rs.0.94 crore for the same period. The cash accruals of SGPL are estimated to remain around Rs.13.53 crore – Rs.15.99 crore during 2020-22, while its repayment obligations are estimated to be Rs.0.94 crore for the same period. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 173 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.8.96 crore as on March 31, 2019. The current ratio of SGPL stands moderate at 1.70 times as on March 31, 2019.

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

Acuite 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	162.77	150.20	131.03
EBITDA	Rs. Cr.	18.34	14.80	12.15
PAT	Rs. Cr.	9.14	8.66	6.23
EBITDA Margin	(%)	11.27	9.85	9.28
PAT Margin	(%)	5.62	5.77	4.75
ROCE	(%)	21.31	20.25	18.01
Total Debt/Tangible Net Worth	Times	0.33	0.21	0.16
PBDIT/Interest	Times	8.42	13.78	9.56
Total Debt/PBDIT	Times	1.11	0.80	0.69
Gross Current Assets (Days)	Days	173	174	167

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
20-Feb-2019	PC/PCFC	Long term	17.50*	ACUITE A-/Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	2.50	ACUITE A-/Stable (Reaffirmed)
29-Dec-2017	PC/PCFC	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	PC/PCFC	Long term	16.50*	ACUITE BBB+ /Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	3.50	ACUITE BBB+ /Stable (Reaffirmed)
29-Jun-2015	PC/PCFC	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. Crore)	Ratings/Outlook
PC/ PCFC	Not Applicable	Not Applicable	Not Applicable	17.50*	ACUITE A- / Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- / Stable (Assigned)

*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

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About Acuité Ratings & Research:

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