

Press Release

Sanspareils Greenlands Private Limited

January 20, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.26.00 crore bank facilities of Sanspareils Greenlands Private Limited. The outlook is '**Stable**'.

About the company

Incorporated in 1979, Sanspareils Greenland Private Limited (hereinafter referred to as SGPL/ 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'. SGPL is promoted by Mr. Kailash 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 this rating, Acuité has taken a standalone view of the business and financial risk profile of SGPL.

Key Rating Drivers

Strengths

• Experienced Management and established market position

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. And with an operational track record of more than four decades company has been able to maintain strong relations with its customers and suppliers. Furthermore, 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

Acuité 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

The financial risk profile of the company is healthy marked by healthy net worth, healthy debt protection metrics, and low gearing. The net worth of the company has sequentially improved to Rs.64.33 crore as on 31 March, 2020 as against Rs.64.33 crore as on 31 March, 2019 on account of moderate accretion to reserves.

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 0.36 times as on 31 March, 2020 as against 0.33 times as on 31 March, 2019. 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 funded by the cash accruals of the company. The total debt of Rs.23.00 crore outstanding as on 31 March, 2020 comprises Rs.5.09 crore as a term loan and Rs.17.31 crore as a working capital limit from the bank.

There has been deterioration in the operating income and operating margin, operating income reduced to Rs.159.94 crore in FY2020 from Rs.162.13 crore in FY2019 and operating margin reduced

to 8.38 percent in FY2020 from 11.12 percent in FY2019, this led to deterioration in interest coverage metrics. However, the interest coverage still remains healthy and stood at 5.57 times in FY2020 as against 7.46 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.22 times in FY2020 and 0.33 times in FY2019. Debt/EBITDA stood at 1.58 times in FY2020.

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**

The company has a reputed customer base which includes Kookaburra Sports, JRT Crampton, Board of Control for Cricket India (BCCI) and Unicorn Products Limited, to name a few. It has established relationships with these customers around four decades, which helps it to benefit from repeat orders.

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

Weaknesses

• **Working Capital intensive nature of Operations**

Operations of SGPL are working capital intensive marked by Gross Current Asset (GCA) of 168 days in FY2020 as compared to 171 days in FY2019. This is on account of debtors' collection period of 52 days in FY2020 as against 67 days in FY2019 and inventory holding period of 105 days in FY2020 as against 93 days in FY2019. However, current ratio of the company stood moderate at 1.60 times as on 31 March, 2020 as against 1.65 as on 31 March, 2019.

Acuite believes that the working capital operations of SGPL will continue to remain intensive on account of high 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: Adequate

SGPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. SGPL generated cash accruals of Rs.4.95 crore in FY2020 against debt obligation of Rs.1.80 crore for the same period. The cash accruals of SGPL are estimated to remain around Rs.4.50 crore – Rs.8.00 crore during 2021-23, while its repayment obligations are estimated to remain in the range of Rs.1.80-Rs.0.35 crore for the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 168 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.8.14 crore as on March 31, 2020. The current ratio of SGPL stands moderate at 1.60 times as on March 31, 2020.

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.

Rating Sensitivities

- Lower than expected operating performance
- Significant decline in profitability margins
- Any deterioration in working capital cycle of the company

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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	159.94	162.13
PAT	Rs. Cr.	6.30	9.14
PAT Margin	(%)	3.94	5.64
Total Debt/Tangible Net Worth	Times	0.36	0.33
PBDIT/Interest	Times	5.57	7.46

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-Oct-2019	PC/PCFC	Long Term	17.50*	ACUITE A-/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.50	ACUITE A-/ Stable (Reaffirmed)
	Term Loans	Long Term	6.00	ACUITE A-/ Stable (Assigned)
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	20.00*	ACUITE A-/Stable (Reaffirmed)
Term Loans	Dec-2018	11.25%	Dec-2023	6.00	ACUITE A-/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.

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About Acuité Ratings & Research:

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