

Press Release

Sanspareils Greenlands Private Limited

April 18, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.00	ACUITE A Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	26.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating upgrade

The rating of SGPL is upgraded on account of significant improvement in SGPL's operating performance. It has reported revenue of Rs.170 Cr. for 10M FY2022 (Provisional) against Rs.136 Cr. in FY2021, which is a growth of 25 percent. SGPL's operating margin has remained stable around 8-10 percent over FY2020-FY2022 despite some volatility in its revenue. The rating also draws comfort from SGPL's healthy financial risk profile and established operational track record. The rating is however constrained by the company's working capital intensive operations and presence of the company in a highly competitive and fragmented industry.

About the Company

SGPL incorporated in the year 1979 and promoted by Mr. Kailash Chandra Anand, Mr. Puneet Anand, Mr. Paras Juny Anand and Mr. Triloknath Anand is engaged into manufacturing of cricket bats, leather balls, premium shoes, clothing, travel gear and other protective gears for cricket under its own "SG" brand. It has its manufacturing unit located in Meerut, UP.

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 Chandra 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 balls used in test matches are approved by the Board of Control for Cricket in India (BCCI). The company also manufactures leather balls, bats, protective equipment, cricket accessories, shoes and apparels under its own "SG" brand, thereby maintaining a diversified product portfolio.

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

Healthy financial risk profile

SGPL's financial risk profile 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.68 Cr as on 31 March, 2020 as against Rs.65 Cr as on 31 March, 2020 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 0.34 times as on 31 March, 2021 and 31 March, 2020. 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 Cr as on 31 March, 2021 consists of long term bank borrowings of Rs.4 Cr and short term working capital limit of Rs.18 Cr. The interest coverage ratio stood at 5.08 times for FY2021 as against 5.57 times for FY2020. The DSCR stood at 2.70 times for FY2021 as compared to 2.76 times for FY2020. The Net Cash Accruals to Total debt stood at same level of 0.43 times for FY2021 and FY2020. The Total outside liabilities to Tangible net worth stood high at 1.01 times for FY2021 as against 0.90 times in FY2020.

For FY2022 (Provisional), it is estimated that gearing level of the company will be ~0.27 times, interest coverage ratio will be ~10.71 times, DSCR will be ~6.42 times, NCA/TD will be ~0.77 times and TOL/TNW will be ~0.84 times.

Acuité believes that the financial risk profile of SGPL will remain healthy in near to medium term due to its improving operating performance, low debt levels vis-à-vis healthy tangible net worth and healthy debt protection matrices.

Improving operating performance for 10M FY2022 despite a subdued performance in FY2021

SGPL reported revenues of Rs.170 Cr. for 10M FY2022 against Rs.136 Cr in FY2021 and Rs.160 Cr in FY2020. The decline in revenues for FY2021 was primarily on account of the disruptions to the worldwide cricket season caused by COVID induced lockdowns. Since the company is engaged in both domestic as well as export market for selling its cricket bats and leather balls and other protective gears for cricket, the business operations were highly impacted during FY2021. However as the operating environment has moved towards normalcy and cricket matches have resumed, SGPL's operating performance has therefore shown a strong recovery and it has surpassed revenue for FY2021 and even FY2020 in 10M FY2022. Operating margins have remained stable in the range of 8-10 percent despite some volatility in revenue. SGPL's operating margin stood at ~9.40 percent for 10M FY2022 (Provisional) against 10.50 percent in FY2021 and 8.38 percent in FY2020.

Acuité expects the SGPL's ability to maintain its scale of operations while maintaining profitability will continue to remain a key rating sensitivity factor.

Reputed Clientele

SGPL 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.

Acuité 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

SGPL's operations are highly working capital intensive marked by Gross Current Assets (GCA) of 234 days for FY2021 as against 168 days for FY2020. This is primarily on account of high inventory days which stood at 121 days in FY2021 as against 105 days in FY2020. High inventory days is primarily on account of disruption of cricket season due to Covid induced lockdowns and therefore the various sports equipment manufactured by the company remained unsold. Apart from this, there has also been an impact in the company's debtors and creditors cycle which got stretched. The debtors stood at 86 days in FY2021 as against 52 days in FY2020 whereas the creditors stood high at 134 days in FY2021 as against 73 days in FY2020.

However this elongation in working capital has been transitional and as SGPL's operating performance has shown a recovery, its working capital cycle has shown some improvement. SGPL's inventory days stood at 70 days, debtor days stood at 69 days and creditor days stood at 80 days for 10M FY2022. Acuite expects SGPL's ability to maintain its working capital cycle further will continue to remain a key rating sensitivity factor.

Highly competitive and fragmented industry

The sports goods industry is highly competitive and fragmented. 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).

Rating Sensitivities

- Ability to maintain scale of operations and profitability
- Ability to maintain working capital cycle

Material covenants

None

Liquidity Position: Adequate

SGPL has healthy net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.11 Cr – Rs.10 Cr during FY2019 to FY2021 against repayment obligation of ~Rs.2 Cr during the same period. Going forward the NCA are expected in the range of Rs.17 Cr – Rs.27 Cr for period FY2022-FY2024 against repayment obligation of ~Rs.1 Cr for the same period. The company's operations are highly working capital intensive marked by gross current asset (GCA) days of 234 days for FY2021 due to its high inventory days. This makes the company dependent on bank borrowing for working capital requirement. Average bank limit utilization for 6 months' period ended Jan 2022 stood at ~83 percent. Current ratio stands at 1.54 times as on 31 March 2021. The company has maintained cash & bank balance of Rs.13 Cr in FY2021.

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 SGPL will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to negative in case of moderation in liquidity profile and its profitability margins, and deterioration in debt protection indicators.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	135.52	159.94
PAT	Rs. Cr.	6.89	6.30
PAT Margin	(%)	5.08	3.94
Total Debt/Tangible Net Worth	Times	0.34	0.34
PBDIT/Interest	Times	5.08	5.57

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

Not applicable

Any other information

None

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2021	Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
23 Oct 2019	Packing Credit	Long Term	17.50	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.50	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE A- Stable (Assigned)
20 Feb 2019	Packing Credit	Long Term	17.50	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.50	ACUITE A- Stable (Reaffirmed)
29 Dec 2017	Packing Credit	Long Term	17.50	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 Working Capital Demand Loan	Long Term	3.50	ACUITE BBB+ Stable (Reaffirmed)
29 Jun 2015	Packing Credit	Long Term	16.50	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	3.50	ACUITE BBB+ Stable (Reaffirmed)
08 Apr 2014	Packing Credit	Long Term	16.50	ACUITE BBB+ Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	3.50	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Standard Chartered Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A Stable Upgraded (from ACUITE A-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.79	ACUITE A Stable Upgraded (from ACUITE A-)
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.21	ACUITE A Stable Upgraded (from ACUITE A-)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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