

Press Release

Sanspareils Greenlands Private Limited

April 18, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.80	ACUITE A Stable Assigned	-
Bank Loan Ratings	26.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	35.80	-	-

Rating Rationale

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

Further, Acuite has assigned the long term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs. 9.80 crore bank facilities of Sanspareils Greenlands Private Limited (SGPL). The outlook is '**Stable**'.

Rationale for reaffirmation

Rating has been reaffirmed on account of improvement in scale of operations, stable profitability, healthy financial risk profile and vintage of operations and reputed clientele. Company has been able to report growth in operating revenues after experiencing decline in FY 2021 due to impact of Covid pandemic. Profitability is stable amid experiencing moderate decline in FY 2022. In absence of any major debt funded capex, financial risk profile has remained healthy and reputed clientele has helped company to seize repeat orders. However, rating is constrained by working capital intensive nature of operations leading to high bank limit utilization.

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, Acuite 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

Company financial risk profile is comfortable marked by healthy net worth, comfortable gearing and strong debt protection metrics. Company's tangible net worth stood at Rs. 78.34 Cr in FY 2022 as against Rs. 68.36 Cr in FY 2021. Net worth of the company also includes Rs. 6.15 Cr of unsecured loans classified as quasi equity which has been subordinated to bank debts of Standard Chartered Bank. Total debt of Rs. 20.95 Cr in FY 2022 consists of Rs. 4.20 Cr of long term debt, Rs. 16.66 Cr of working capital borrowing and Rs. 0.09 Cr of CPLTD. Although not classified under CPLTD as per client's balance sheet, out of Rs. 4.20 Cr of long term loans, Rs. 1.24 Cr of term loan from standard chartered bank and Rs. 1.99 Cr loan against FD from PNB was payable in FY 2023. Gearing (Debt to Equity ratio) remained below unity and stood at 0.27 times in FY 2022 as against 0.34 times in FY 2021. Interest coverage ratio improved and stood strong at 9.12 times in FY 2022 as against 5.08 times in FY 2021. NCA/TD improved from 0.43 times in FY 2021 to 0.78 times in FY 2022. TOL/TNW improved from 1.01 times in FY 2021 to 0.86 times in FY 2022. Debt-EBITDA (excluding other income) improved from 1.65 times in FY 2021 to 0.98 times in FY 2022. In the absence of any major debt funded capex the team believes the financial risk profile will remain comfortable in the near term.

Stable operating performance

Company reported total operating revenue of Rs. 213.80 Cr in FY 2022 as against Rs. 135.52 Cr in FY 2021 marking improvement of 58% over FY 2021. Cricket bat and balls were the major revenue drivers for the company the share of which stood at around 60% in FY 2022. Out of the total sales around 71% sales happened in domestic market and around 29% sales happened in export markets wherein Kookaburra stood as the major customer in the export sales.

EBITDA margin has declined but remained stable at 9.98% in FY 2022 as against 10.50% in FY 2021. The drop in EBITDA margin is attributable to rise in raw material cost, increased remuneration of directors of the company and increased spending on brand endorsement and advertising sponsorship driven by on boarding of new prominent cricket players as brand endorsers. PAT margin has improved year on year from 3.94% in FY 2020 to 5.08% in FY 2021 and further improved to 6.28% in FY 2022.

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

Company's operations are working capital intensive evident by GCA days of 152 in FY 2022. GCA days have condensed in FY 2022 as against 233 in FY 2021 which elongated due to disruptions of Covid pandemic. Inventory holding period declined from 121 days in FY 2021 to 61 days in FY 2022. The sharp decline in inventory period is attributable to pent up demand which was realized in FY 2022 which led to faster turnover of inventory. Management expects inventory period to increase going forward. Debtor realization period declined to 67 days in FY 2022 from 85 days in FY 2021. Creditor period declined from 127 days in FY 2021 to 66 days in FY 2022. However, average bank limit utilization remained high at 91.79% for the 9 months' period

between June 2022 to February 2023.

Highly competitive and fragmented industry

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

Rating Sensitivities

- Ability to maintain scale of operations and Profitability.
- Ability to maintain working capital cycle.

Material covenants

None.

Liquidity Position Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accruals of Rs. 16.40 Cr against debt repayment of Rs. 1.39 Cr. Company's unencumbered cash and bank position stood at Rs. 14.23 Cr and current ratio stood at 1.64 times in FY 2022. Company has done Rs. 14.83 Cr investment in fixed deposits which is entirely unencumbered. Apart from this company has also invested Rs. 5.45 Cr in mutual funds. However, average bank limit utilization remained high at 91.79% for the 9 months' period between June 2022 to February 2023.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	213.80	135.52
PAT	Rs. Cr.	13.44	6.89
PAT Margin	(%)	6.28	5.08
Total Debt/Tangible Net Worth	Times	0.27	0.34
PBDIT/Interest	Times	9.12	5.08

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

Not Applicable.

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Apr 2022	Term Loan	Long Term	2.21	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Bank Facility	Long Term	1.79	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Packing Credit	Long Term	22.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
20 Jan 2021	Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Packing Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.90	ACUITE A Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.90	ACUITE A Stable Assigned
Standard Chartered Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE A Stable Reaffirmed

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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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