

Rating Update

November 29, 2021 | Mumbai

Cosco India Limited

Update as on November 29, 2021

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward scenario

- Revenue growth of 20% and improvement in operating margin, leading to higher-than-expected cash accrual
- Significant improvement in the working capital cycle

Downward scenario

- Steep decline in profitability
- Further sizeable stretch in the working capital cycle

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Cosco India Limited (Cosco) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About The Company

Cosco, incorporated in 1980, manufactures cricket and tennis balls, inflatable balls used in games such as football, basketball and volleyball, cricket bats, skates, rackets and trades in fitness equipment; the products are sold under the brand, Cosco. The company, based in Delhi, also has an exclusive license to sell Stiga's products in India. Mr D K Jain is the managing director.

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Rating Rationale

September 30, 2020 | Mumbai

Cosco India Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.34 Crore
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BBB/Stable' rating on the long-term bank facilities of Cosco India Ltd (Cosco).

The rating continues to reflect Cosco's brand name and strong market position, comfortable financial risk profile, and diversified product range. These strengths are partially offset by the exposure to intense competition and large working capital requirement.

Analytical Approach

Of the total unsecured loans (Rs 27.79 crore as on March 31, 2020) extended by the promoter, Rs 14 crore has been treated as neither debt nor equity as these funds are expected to remain in the business.

Key Rating Drivers & Detailed Description

Strengths:

*** Established brand name and strong market position**

Longstanding presence in the industry has helped Cosco establish its brand name, and build a pan-India presence in the sports goods and fitness equipment business.

*** Comfortable financial risk profile**

Financial risk profile is likely to remain moderate. Networth was Rs 39.14 crore as on March 31, 2020, with gearing low at 0.7 time. Debt protection metrics were average, with interest coverage and net cash accrual to total debt ratios of 1.84 times and 0.12 time, respectively in fiscal 2020.

*** Diversified product profile**

Cosco manufactures sports goods such as football, tennis ball, basketball, and volleyball, and trades in treadmills, shoes, and equipment related to cricket and fitness. Having a diverse range of products lowers the dependence on a single segment for revenue and profit generation.

Weaknesses:

*** Exposure to intense competition**

Although revenue was moderate at Rs 133.8 crore in fiscal 2020, intense competition from large regional players and Chinese products may continue to constrain scalability, pricing power and profitability.

*** Large working capital requirement**

The working capital cycle may remain stretched over the medium term and hence will be closely monitored. Gross current assets were sizeable at 243 days as on March 31, 2020, driven by large inventory of 153 days, given the diverse range of products.

Liquidity Adequate

Liquidity should continue to be adequate. In the absence of any yearly debt obligation, the entire cash accrual ' projected at Rs 2.8 crore and Rs 4.3 crore in fiscals 2021 and 2022, respectively ' can aid financial flexibility. Bank limit utilisation was moderately low and averaged 42% during the 12 months through April 2020. Current ratio was robust at 2.91 times as on March 31, 2020.

Outlook: Stable

Cosco should continue to benefit from its established brand name and the extensive experience of the promoter.

Rating Sensitivity factors

Upward Factors

- * Revenue growth of 20% and improvement in operating margin, leading to higher-than-expected cash accrual
- * Significant improvement in working capital cycle

Downward Factors

- * Steep decline in profitability
- * Further sizeable stretch in working capital cycle

About the Company

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Key Financial Indicators

Particulars	Unit	Fiscal 2020	Fiscal 2019
Revenue	Rs crore	134.36	132.74
Profit after tax (PAT)	Rs crore	1.81	3.02
PAT margin	%	1.3	2.3
Adjusted debt/adjusted networth	Times	0.7	0.8
Interest coverage	Times	1.8	2.1

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs Cr)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	29.75	NA	CRISIL BBB/Stable
NA	Proposed Fund Based Bank Limits	NA	NA	NA	4.25	NA	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	34.00	CRISIL BBB/Stable			26-07-19	CRISIL BBB/Stable	03-07-18	CRISIL BBB/Stable			CRISIL BBB/Stable
								29-01-18	CRISIL BBB/Stable			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	29.75	CRISIL BBB/Stable	Cash Credit	29.75	CRISIL BBB/Stable
Proposed Fund-Based Bank Limits	4.25	CRISIL BBB/Stable	Proposed Fund-Based Bank Limits	4.25	CRISIL BBB/Stable
Total	34	--	Total	34	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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