

NOVEMBER 22, 2016
**CARE ASSIGNS 'CARE BBB-' AND 'CARE A3' RATINGS TO THE BANK FACILITIES/INSTRUMENTS OF
SUPER TANNERY LIMITED**
Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	113.00	CARE BBB- [triple B minus]	Assigned
Short-term Bank Facilities	17.00	CARE A3 [A three]	Assigned
Total Bank Facilities	130.00 (Rupees One hundred Thirty crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Super Tannery Limited (STL) derives comfort from the experience of the promoters in tannery and leather industry, the company's long track of operations and diversified customer base across various industries. Further, the ratings also derives strength from the company's moderate financial risk profile with comfortable debt to equity ratio and moderate gearing as well as debt coverage indicators and location advantages. However, the ratings are constrained by STL's declining sales, low profitability margins amid high competition, working capital intensive nature of operations and foreign exchange fluctuation risk.

Going forward, the ability of STL to arrest the drop in sales and improve profitability margins while effectively managing the foreign exchange fluctuation risk and competition would be the key rating sensitivities.

Background

Super Tannery Limited (STL) manufactures finished leather, leather shoes and other leather related products such as safety shoes, shoe uppers, lifestyle shoes, belts and leather accessories. The company was incorporated in February 1984 to acquire business of partnership firm 'Super Tannery' (set up in 1953). STL came with an initial public offering in May 1993 and got listed on BSE. During FY16, sale of finished leather accounted for 69% of total sales (PY: 69%), out of which 75% were from exports (PY: 74%). The leather shoes and other components contributed to 30% of total sales in FY16 (PY: 30%), out of which nearly 80% were exports. The company's major export destinations are Australia, USA, Italy, Israel, Germany, Singapore and China. In India, STL sells its products under the brands name 'hxLondon' and is having 4 outlets in Kanpur. STL has a controlling stake in Super Tannery UK, Safety Solutions, Aarifi Tanners, Super Corporation Ltd and Super Tannery UAE. However, these subsidiaries do not have much of operations.

During FY16 (refers to period from April 01 to March 31), on a total operating income of Rs. 228.29 crore, the company reported a PBILDT and PAT of Rs. 21.95 crore and Rs. 3.57 crore respectively. Furthermore during Q1FY17 (refers to the period April 1 to June 30), on a total sales of Rs. 70.75 crore, the company reported a PBILDT and PBT of Rs. 5.70 crore and Rs. 1.39 crore respectively.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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