

Super Tannery Limited

October 5, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	101.60 (Reduced from 113.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	17.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	118.60 (Rupees One hundred Eighteen Crore and sixty lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Super Tannery Limited (STL) continues to derive 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 modest scale, low profitability margins amid high competition, working capital intensive nature of operations and foreign exchange fluctuation risk.

Going forward, the ability of STL to increase scale of operations and improve profitability margins while effectively managing the foreign exchange fluctuation risk and competition would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team: Mr. Iftikharul Amin is the managing director of the company and is having over 30 years of experience in leather and leather product industry. Mr. Vequarul Amin, Joint managing director of the company is a qualified leather technologist and is associated with the company since 1990. Mr. Imran Siddiqui, also a joint managing director is a chemical engineer and joined the board of the company in 1992. Mr. Mohd. Imran is a Chartered accountant and looks after export, import, accounts, excise, customs and foreign trade matters. STL is expected to benefit from extensive experience of the management in the medium to long-term.

Established market position in leather industry: The company started its operations in 1953 (as a partnership firm). Over the years, the company has established its market position in leather industry. It has made footprints all over the world with over 70% (PY: 76%) of the revenue coming from exports in FY17. STL exports to over 40 countries in the world.

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

Moderate financial risk profile: The company's debt to equity ratio stood comfortable at 0.02x as on March 31, 2017 (PY: 0.06x) on account of significantly low long term debt. The overall gearing of the company improved and stood moderate at 1.13x as on March 31, 2017 (PY: 1.37x) on account of decreased total debt. The company's debt servicing metrics marked by interest coverage ratio remained comfortable. Further, on account of increase in gross cash accruals and lower debt, total debt to gross cash accruals improved but stood high at 8.52x in FY17 (PY: 10.37x).

Key Rating Weaknesses

Working capital intensive operations: The working capital cycle of STL remained elongated at 199 days in FY17 (PY: 196 days) on account of longer inventory holding period. The company's average collection period is around 3 months and it receives credit period of around 2 months from its suppliers. Despite elongated working capital cycle, average fund based limit utilization remained moderate at 75% for the trailing 12 months ended August 2017.

Foreign exchange fluctuation risk: Export contribution to total sales constituted 70% in FY17 (PY: 76%). With significant chunk of sales realization in foreign currency, the company is exposed to the fluctuation in exchange rates. The company only partly hedges its exports (for around 50% of total exports) by booking forward contracts, thereby exposing it to currency fluctuation risk. In FY17, company had foreign currency fluctuation losses of Rs. 0.70 cr. (PY: Rs. 0.10 cr.)

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

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. Total exports contributed to 70% of total sales revenue in FY17. (PY: 76%). The company's major export destinations are Australia, USA, Italy, Israel, and Germany. 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	237.88	233.12
PBILDT	21.95	20.82
PAT	3.57	3.79
Overall gearing (times)	1.37	1.13
Interest coverage (times)	2.29	2.24

A: Audited

Status of non-cooperation with previous CRA: CRISIL BB+ (Stable)/ CRISIL A4+ (Downgraded from CRISIL BBB (Negative))/ CRISIL A3+ based on best available information vide press release dated September 14, 2017)

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr. Ajay Dhaka

Tel: 011-45333218

Mobile: +91 88268 68795

Email: ajay.dhaka@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Repayment in FY18	0.60	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BBB-; Stable
Fund-based - LT-EPC/PSC	-	-	-	61.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	17.00	CARE A3
Fund-based - LT-FBN / FBP	-	-	-	30.00	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loa	LT	0.60	CARE BBB-; Stable	-	1)CARE BBB-(22-Nov-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-(22-Nov-16)	-	-
3.	Fund-based - LT-EPC/PSC	LT	61.00	CARE BBB-; Stable	-	1)CARE BBB-(22-Nov-16)	-	-
4.	Non-fund-based - ST-BG/LC	ST	17.00	CARE A3	-	1)CARE A3 (22-Nov-16)	-	-
5.	Fund-based - LT-FBN / FBP	LT	30.00	CARE BBB-; Stable	-	1)CARE BBB-(22-Nov-16)	-	-
6.	Fund-based - LT-Proposed fund based limits	-	-	-	-	1)CARE BBB-(22-Nov-16)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi

Cell: + 91 98190 09839

 E-mail: meenal.sikchi@careratings.com
Ms. Rashmi Narvankar

Cell: + 91 99675 70636

 E-mail: rashmi.narvankar@careratings.com
Mr. Ankur Sachdeva

Cell: + 91 98196 98985

 E-mail: ankur.sachdeva@careratings.com
Mr. Saikat Roy

Cell: + 91 98209 98779

 E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

 E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

 Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha

 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

 Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

 Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

 Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

 E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

 E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

 E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

 E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

 E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691