

July 02, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	3.50	SMERA A4 (Assigned)
Packing Credit (Proposed)	2.50	SMERA A4 (Assigned)
Foreign Bill Discounting	4.00*	SMERA A4 (Assigned)

* NLC/FDBP sublimit of Rs. 0.50 crore.

* FLC sublimit of Rs.1.00 crore.

SMERA has assigned a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.10.00 crore bank facilities of Irbaz Shoe Company (ISC). The rating is constrained by the firm's low scale of operations, thin profit margins and susceptibility to raw material price volatility. The rating is also constrained by the firm's working capital intensive nature of business. However, the rating draws comfort from the firm's experienced promoters and comfortable leverage position.

ISC, established in 1993, is a Chennai-based partnership firm engaged in the manufacture and export of leather shoe uppers, shoes and boots to Europe, USA and Asian countries.

ISC has low-scale operations. The firm registered a decline in the operating income to Rs.12.14 crore in FY2013-14 (refers to financial year, April 01 to March 31) from Rs.13.83 crore in FY2012-13. Besides, the profit after tax (PAT) margins dropped to 0.01 per cent in FY2013-14 from 0.02 per cent in FY2012-13 with the profit being largely supported by interest income. ISC's key raw material – leather, is susceptible to raw material price volatility affecting the profitability margins.

ISC's operations are working capital intensive. The firm has high inventory holding of 163 days as on March 31, 2014. However the rating draws comfort from the extensive experience of the promoters - Mr. N. Irbaz Ahmed and Mr. N. Aejaaz Ahmed who have been a part of the leather industry for over two decades. ISC has comfortable leverage position with debt equity ratio of 0.38 times in FY2014.

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About the Firm

ISC, established in 1993, is a Chennai-based partnership firm promoted by Mr. N. Irbaz Ahmed, Mr. N. Aejaz Ahmed, Mrs. B. Ravia Aejaz and Mrs. V. Khurshed Begum. The firm is engaged in the manufacture and export of leather shoe uppers, finished leather, shoes among others. The firm has a manufacturing unit in Chennai, with an installed capacity of 10,000 pairs daily.

ISC reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.12.14 crore for FY2013–14, as against PAT of Rs.0.02 crore on operating income of Rs.13.83 crore in FY2012–13. The firm's net worth stood at Rs.8.37 crore as on March 31, 2014, as compared with Rs.7.15 crore a year earlier.

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