

January 07, 2016

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit * #	20.20	SMERA B+/Stable (Assigned)
Foreign Bill Purchase* ^	10.00	SMERA B+/Stable (Assigned)
Letter of Credit %	0.50	SMERA A4 (Assigned)
Proposed long term	0.87	SMERA B+/Stable (Assigned)

*Interchangeability of Rs.6.00 crore between EPC and FBP

EPC includes sublimit of cash credit limit of Rs.5.00 crore

% Fully interchangeable with bank guarantee

^Fully interchangeable with Advances against export bill sent on collection as sublimit of FBP limit

SMERA has assigned rating of '**SMERA B+**'(read as **SMERA B plus**) to the Rs.31.07 crore long term (fund based) bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.0.50 crore short term (non-fund based) bank facility of Zazsons Exports Private Limited (ZEPL). The outlook is '**Stable**'. The ratings are constrained by the working capital intensive operations, exposure to intense competition in the leather industry and weak liquidity as evident from high bank limit utilisation. The ratings are also constrained by the company's exposure worth Rs.69.50 crore to Z-Square Shopping Mall Private Limited (100% subsidiary of ZEPL). The aforementioned weaknesses are partially offset by the experienced management, moderate operating margins and healthy relations with customers and suppliers.

Outlook: Stable

SMERA believes ZEPL will maintain its moderate business risk profile in the medium term owing to the promoter's experience in the business. The outlook may be revised to 'Positive' in case of sustained growth in revenue and profitability or improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management or lower than expected cash accruals.

Rating Sensitivity Factors

- Improvement in working capital cycle
- Sustainable improvement in revenue and profitability profile especially PAT margins.

About the Company

ZEPL, incorporated in 1986, is a Kanpur-based proprietorship firm converted into private limited in 2014. The company was incorporated by Mr. Zakir Husain, Mr. Afzal Husain and Mr. Zahid Husain and is engaged in the manufacture of leather products made of goat and sheep skin at Kanpur, Uttar Pradesh. These are exported to Germany, Portugal, Spain among others. The company, headed by Mr. Tahir Husain has a manufacturing capacity of 30 lakh pieces of leather products (made up of goat skin) and three lakh pairs of footwear per annum.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.60.86 crore, as compared with profit after tax (PAT) of Rs0.39 crore on operating income of Rs.52.31 crore in FY2013–14. The net worth stood at Rs.70.97 crore as on March 31, 2015 against Rs.71.43 crore a year earlier.

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