

## Press Release

13 May, 2017

**Zazsons Exports Private Limited**

**Rating Reaffirmed**

<b>Total Bank Facilities Rated *</b>	Rs.31.57 Cr
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

# Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 31.57 crore bank facilities of Zazsons Exports Private Limited. The outlook is '**Stable**'.

The Kanpur-based, Zazsons Exports Private Limited (ZEPL) established in 1986 is engaged in the manufacture and export of leather products (made of goat and sheep skin) to Europe. The company is led by Mr. Tahir Husain.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Director, Mr. Tahir Hussain has more than a decades experience in the above mentioned line of business.

- **Healthy relations with customers and suppliers**

The company has healthy relations with customers and suppliers which strengthens its business risk profile.

#### Weaknesses

- **Working capital intensive operations**

ZEPL has working capital intensive operations reflected in the high Gross Current asset (GCA) days of 528 in FY2016 as compared to 453 days in the previous year. The increase in GCA days during FY2016 was mainly due to increase in receivables days to 318 in FY2015-16 as compared to 223 days in the previous year.

- **Uneven revenue trend**

ZEPL has reported operating income of Rs. 44.54 cr for FY2015-16; Rs. 60.86 cr for FY2014-15 as against Rs. 52.31 cr in FY2013-14. The operating income is uneven due to slowdown in demand from European markets.

- **Competitive and fragmented industry**

The leather industry in India is highly fragmented and dominated by a large number of players leading to intense competition.

### Analytical Approach

SMERA has considered the standalone financial and business risk profiles of ZEPL.

### Outlook: Stable

SMERA believes that ZEPL will maintain a stable outlook and benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of higher-thanexpected revenue and profitability while improving its financial risk profile and liquidity position.

Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

### About the Rated Entity - Key Financials

For FY2016, ZEPL reported net profit of Rs.0.76 crore on net sales of Rs.44.54 crore as compared with net profit of Rs.0.49 crore on net sales of Rs.60.86 crore in the previous year. The Tangible Net worth for FY2016 stood at 71.73 crore.

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Jan-2016	Export Packing Credit	Long Term	INR 20.2	SMERA B+ / Stable
	Foreign Bill Purchase	Long Term	INR 10	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 0.5	SMERA A4
	Proposed Long Term	Long Term	INR 0.87	SMERA B+ / Stable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+/Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+/Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	6.07	SMERA B+ / Stable

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**ABOUT SMERA**

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