

January 27, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.50	SMERA BB-/Stable (Assigned)
Long Term (Proposed)	0.65	SMERA BB-/Stable (Assigned)
Packing Credit	2.50	SMERA A4+ (Assigned)
Foreign Bill Discounting	1.00	SMERA A4+ (Assigned)
Letter of Credit	7.00	SMERA A4+ (Assigned)
Bank Guarantee	0.10	SMERA A4+ (Assigned)
Foreign Bill Discounting	3.00	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) to the above mentioned bank facilities of Zuha Leather Private Limited (Zuha Leather). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations, working capital intensive business and susceptibility of profit margins to fluctuations in raw material prices. The ratings also take into account the highly competitive and regulated leather industry. However, the ratings draw comfort from the experienced management, growing scale of operations, moderate profitability margins and favourable location of the manufacturing unit.

Outlook: Stable

SMERA believes that Zuha Leather will continue to benefit over the medium term from its promoters experience in the industry. The outlook may be revised to 'Positive' in case the firm is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in company's revenue and profit margins

Rating Sensitivity Factors

- Increase in scale of operations while improving profitability margins
- Managing working capital requirements efficiently

About the Company

Zuha Leathers, a Chennai-based company promoted by Mr. Shabbeer Ahmed was established in 1986 as a partnership firm and converted to private limited in 2004. The company is engaged in the manufacture of finished leather used to make shoes, bags and garments. The company's tanneries are located at Vaniyambadi, Tamil Nadu.

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For FY2014-15, the company reported profit after tax (PAT) of Rs.0.18 crore on operating income of Rs. 37.18 crore as compared with PAT of Rs.0.30 crore on operating income of Rs.34.38 crore for FY2013-14.

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