

April 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA B/Stable (Assigned)
Export Packing Credit	0.50*	SMERA A4 (Assigned)
Foreign Bill Purchase	0.50*	SMERA A4 (Assigned)

*Interchangeability of FBP to EPC up to Rs.0.50 crore

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Chien Hsing Tannery (CHT). The outlook is '**Stable**'. The rating is constrained by the firm's moderate scale of operations and working capital intensive nature of business marked by stretched receivables. However, the ratings derive comfort from the experienced management and proximity to raw material sources.

Outlook: Stable

SMERA believes CHT will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in size of operations and profitability
- Efficient working capital management

About the Firm

CHT, established in 2005 by Mr. Naresh Kumar Juneja and Ms. Minnie Juneja is engaged in the manufacture of finished leather at West Bengal. The installed capacity stands at 12 lakh square feet per month.

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For FY2014–15, the company reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.54.97 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.53.36 crore in FY2013–14.

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