

Press Release

CHIEN HSING TANNERY

20 February, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as SMERA B) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.5.50 crore bank facilities of CHIEN HSING TANNERY. The outlook is '**Stable**'.

Chien Hsing Tannery (CHT), a partnership firm was established in 2007 by Mr Naresh Kumar Juneja and Ms Minnie Juneja. The firm is engaged in the manufacture of finished leather and has capacity of 12 lakh square feet/month. The manufacturing unit is located at West Bengal.

Key Rating Drivers

Strengths

- **Experienced management**

The Partners, Mr. Naresh Kumar Juneja and Ms. Minnie Juneja possess experience of around three decades in the said line of business.

- **Average financial riskprofile**

The average financial risk profile is marked by networth of Rs.5.20 crore in FY2017, an increase from Rs.5.09 crore in FY2016, mainly on account of retention of current year profit. The gearing stood at a moderate 1.05 times in FY2017 as against 1.07 times in FY2016. The Interest Coverage ratio (ICR) stood at 1.71 times in FY2017 while the Debt Service Coverage Ratio (DSCR) stood comfortable at 1.64 times in FY2017.

Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate marked by decline in revenue to Rs.38.00 crore in FY2017 from Rs.46.40 crore in FY2016. The deterioration is mainly on account of decrease in revenue from exports due to competition from China.

- **Working capital intensiveoperations**

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) of 223 days in FY2016-17, an improvement from 238 days in FY2015-16. The high GCA days emanate from the collection period of 183 days in FY2017. The operations are expected to remain capital intensive, as the firm is engaged in the manufacturing of finished leather. The high collection days are mainly due to delays in receipt of payment from customers.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial and business risk profile of CHT.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.00	46.40	54.97
EBITDA	Rs. Cr.	1.22	1.26	1.18
PAT	Rs. Cr.	0.11	0.13	0.13
EBITDA Margin	(%)	3.20	2.71	2.15
PAT Margin	(%)	0.28	0.27	0.23
ROCE	(%)	8.27	7.90	14.16
Total Debt/Tangible Net Worth	Times	1.05	1.07	1.27
PBDIT/Interest	Times	1.71	1.87	1.96
Total Debt/PBDIT	Times	4.41	4.27	5.30
Gross Current Assets (Days)	Days	223	238	165

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-Aug, 2017	Cash Credit	Long Term	INR 4.5	SMERA B
	Packing Credit	Short Term	INR 0.5	SMERA A4
	Bills Discounting	Short Term	INR 0.5	SMERA A4
09-Apr, 2016	Cash Credit	Long Term	INR 4.5	SMERA B / Stable
	Packing Credit	Short Term	INR 0.5	SMERA A4
	Bills Discounting	Short Term	INR 0.5	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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