

Press Release

Fenasia Limited

11 January, 2018

Rating Reaffirmed



Total Bank Facility Rated *	Rs.10.00 Crore
Long Term Rating	SMERA B-/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs 10.00 crore bank facilities of Fenasia Limited. The outlook is '**Stable**'.

Incorporated in 1997 by Mr. Naresh Kumar Juneja, Fenasia Limited is a Kolkata-based company engaged in the manufacture of leather finishing chemicals. The company also trades in raw hide and wet blue leather.

List of key rating drivers and their detailed description

Strengths:

Experienced management

The promoter, Mr. Naresh Kumar Juneja has experience of around two decades in the said line of business.

Moderate financial risk profile

The financial risk profile is moderate marked by low gearing, average debt protection metrics and moderate net worth base. The gearing increased to a moderate 0.91 times in FY2017 (Provisional) compared to 0.89 times in FY2016. The ICR and DSCR stood at 1.56 times and 1.51 times in FY2017 (Provisional) and 1.31 times and 1.07 times respectively in FY2016. The net worth of the firm increased to Rs.8.99 crore in FY2017 compared to Rs.8.89 crore on account of accreditation of profit in the previous year. The NCA/TD stood at 0.07 times in FY2017 (Provisional) and 0.02 times in FY2016.

Weaknesses:

Stagnancy in revenue

The revenue has been stagnant at Rs.40.74 crore in FY2017 (Provisional) compared to Rs.39.30 crore in FY2016. This is mainly on account of stagnant demand for leather chemicals globally. The company registered revenue of Rs.12 crore as per Q1 FY2018.

Working capital intensive operations

The working capital intensive operations are marked by GCA days of 192 days in FY2017 (Provisional) and 182 days in FY2016 as against 171 days in FY2015. The inventory days increased to 154 in FY2017 (Provisional) from 139 days in FY2016. The company needs to hold inventory during the year end because the lean procurement season begins from March to September. The company utilises around 95 per cent of its working capital facilities.

Low margins

The PAT margin stood low at 0.23 per cent in FY2017 (Provisional) compared to (1.15) per cent in FY2016 owing to high interest costs.

Analytical approach

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

Applicable Criteria

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

Outlook - Stable

SMERA believes that FL will continue to maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while improving margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the working capital cycle elongates.

About the Rated Entity - Key Financials

	Unit	FY17(Prov)	FY16(Actual)	FY15(Actual)
Operating Income	Rs. Cr.	40.74	39.30	40.45
EBITDA	Rs. Cr.	1.69	1.32	1.27
PAT	Rs. Cr.	0.09	(0.45)	(0.42)
EBITDA Margin	(%)	4.14	3.35	3.14
PAT Margin	(%)	0.23	(1.15)	(1.04)
ROCE (%)	(%)	6.69	4.23	4.15
Total Debt/Tangible Net Worth	Times	0.91	0.89	0.67
PBDIT/Interest	Times	1.56	1.31	1.42
Total Debt/PBDIT	Times	4.82	5.96	4.83
Gross Current Assets (Days)	Days	192	182	171

Status of non-cooperation with previous CRA:

None

Any other information:

None

Rating History for the last three years:

Date	Name of Instruments/Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
22 July, 2016	Cash Credit	Long	5.80	SMERA B-/Stable (Assigned)
	Term Loan	Long	2.50	SMERA B-/Stable (Assigned)
	Packing Credit	Short	0.70	SMERA A4 (Assigned)

Foreign Bill Purchase/Letter of Credit	Short	1.00	SMERA A4 (Assigned)
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***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	NA	NA	NA	5.80	SMERA B-/Stable (Reaffirmed)
Term Loan	NA	NA	NA	2.50	SMERA B-/Stable (Reaffirmed)
Packing Credit	NA	NA	NA	0.70	SMERA A4 (Reaffirmed)
Foreign Bill Purchase/Letter of Credit	NA	NA	NA	1.00	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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