

Press Release

C S Leathers

March 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 18.00 crore bank facilities of C S Leathers. The outlook is '**Stable**'.

CS Leathers (CSL) was incorporated in 1996 as a proprietorship firm by Mr. Vijay Kumar Ahuja. The firm imports and trades in leather. Leather is purchased from various states such as Tamil Nadu, Punjab and U.P and also imported from countries like China, Bangladesh to name a few. The goods are further sold to clients across India.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

CSL was incorporated in 1996. The proprietor, Mr. Vijay Kumar Ahuja has more than two decades of experience in the said field.

- **Healthy financial risk profile**

The firm has healthy financial risk profile marked by comfortable gearing and coverage indicators. The gearing (debt-to-equity) stood at 0.12 times as on March 31, 2016 against 0.30 times in the previous year. The interest coverage ratio stood healthy at 3.93 times in FY2015-16 against 4.76 times in FY2014-15. The firm registered healthy Profit After Tax (PAT) margin of 5.71 per cent in FY2015-16 as against 6.20 per cent in FY2014-15.

Weaknesses

- **Working capital intensive business**

CSL has working capital intensive business with high Gross Current Assets (GCA) days at 210 in FY2015-16 as compared to 225 in FY2014-15.

- **Intense competition**

The firm faces intense competition in the leather industry from various organised and unorganised players.

Analytical Approach

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

Outlook: Stable

SMERA believes that CSL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to Positive if the firm registers substantial growth in revenues and profitability while maintaining debt protection metrics.

Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

The Agra-based, CSL was incorporated in 1996 as a proprietorship firm by Mr. Vijay Kumar Ahuja. The firm imports and trades in leather (cow leather, buffalo leather, goat leather among others). For FY2015-16, the firm reported profit after tax (PAT) of Rs.4.14 cr on operating income of Rs.72.45 cr, as compared with profit after tax (PAT) of Rs.5.58 cr on operating income of Rs.90.00 cr in FY2014-15. The net worth stood at Rs.41.54 cr as on March 31, 2016 against Rs.38.34 cr a year earlier.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks

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