

Press Release

T Abdul Wahid Tanneries Private Limited

January 30, 2020

Rating Upgrade & Reaffirmed



Total Bank Facilities Rated*	Rs. 25.40 Cr
Long Term Rating	ACUITE B/ Outlook: Stable (upgraded from ACUITE B-)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B' (read as ACUITE B)** from '**ACUITE B-' (read as ACUITE B minus)** and re-affirmed short term rating to '**ACUITE A4' (read as ACUITE A four)** to the Rs. 25.40 crore bank facilities of T ABDUL WAHID TANNERIES PRIVATE LIMITED (TAWTPL). The outlook is 'Stable'.

The rating was downgraded to ACUITE B- from ACUITE B via rationale dated December 24, 2019. The downgrade was on account of information risk. However, the company has now co-operated with Acuite in furnishing information for the review process.

TAWTPL, incorporated in 1975, is a Chennai-based company promoted by Mr. Rafeeq Ahmed. The company commenced commercial operations in July 1975 to manufacture and export finished leather to USA, Germany, Italy, Korea, Hong Kong, China and Portugal. The company has set up two tanneries - B Tannery and C Tannery at Ambur (Tamil Nadu) each with capacity of 36 lakhs pieces (goat skins per annum) and 30 lakhs pieces (semi-finished skins to finished skins per annum).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of TAWTPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

TAWTPL was promoted by Mr. T. Rafeeq Ahmed (Chairman) and Mr. T. Adnan Ahmed (Managing Director). The Board of the Company consists of the promoters and Mrs. B. Dur-E-Naaz and Mr. T. Ashfaq Ahmed (Whole time Director) who possess extensive experience in the leather sector.

Acuite believes that TAWTPL will continue to benefit from experienced management and established track record of operations.

Weaknesses

• Below average financial risk profile:

The financial risk profile of the company remains average marked by net worth of Rs 10.26 crore as on March 31, 2019 compared to Rs. 9.24 crore as on March 31, 2018. Gearing stood at 3.09 times as on March 31, 2019 compared to 2.67 times as on March 31, 2018. Interest Coverage Ratio (ICR) is weak at 0.70 times in FY2019 compared to 1.55 times in FY2018. DSCR (Debt Service Coverage Ratio) stood at 0.49 times in FY2019. The NCA/TD stood at -0.02 times and TOL/TNW levels stood at 7.09 times in FY2019.

• Working capital intensive nature of operations:

The operations are working capital intensive as reflected by the high Gross Current Assets (GCA) of 423 days as on March 31, 2019 as compared to 378 days on March 31, 2018. The same has deteriorated on account of increase in inventory levels. The inventory days stood at 202 days as on March 31, 2019 as compared to 241 days as on March 31, 2018. Further, the bank facilities are almost fully utilized.

Acuite believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

Rating Sensitivity

- Healthy growth in revenues and operating margins.
- Deterioration in financial risk profile and liquidity position.

Material Covenants

None

Liquidity Position: Stretched

Liquidity profile of TAWPL is stretched, reflected by high bank line utilization and accruals of Rs -0.69 crore in FY2019. The GCA days stood at 423 days in FY2019 as compared to 378 days in FY2018, led by lower inventory holding period. The firm has cash and bank balances of Rs ~0.28 crore. Acuite believes that working capital intensive operations and moderate accruals are expected to keep the liquidity stretched in the near to medium term.

Outlook: Stable

Acuite believes that the outlook of TAWPL will remain 'Stable' over the medium term on account of the extensive experience of the management. The outlook may be revised to 'Positive' if TAWPL reports substantial growth in revenue while maintaining profitability and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or decline in operating margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	60.90	60.56
PAT	Rs. Cr.	-1.59	0.24
PAT Margin	(%)	-2.61	0.40
Total Debt/Tangible Net Worth	Times	7.09	7.02
PBDIT/Interest	Times	0.70	1.55

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
24-Dec-2019	Packing Credit	Long Term	13.00	ACUITE B- (Issuer Not Co-Operating)
	Post Shipment Credit	Long Term	3.00	ACUITE B- (Issuer Not Co-Operating)
	Standby Line of Credit	Long Term	2.40	ACUITE B- (Issuer Not Co-Operating)
	Post Shipment Credit	Long Term	4.00	ACUITE B- (Issuer Not Co-Operating)

	Letter of Credit	Short Term	3.00	ACUITE A4 (Issuer Not Co-Operating)
16-Oct-2018	Packing Credit	Long Term	13.00	ACUITE B/Stable (Downgraded)
	Post Shipment Credit	Long Term	3.00	ACUITE B/Stable (Downgraded)
	Standby Line of Credit	Long Term	2.40	ACUITE B/Stable (Downgraded)
	Post Shipment Credit	Long Term	4.00	ACUITE B/Stable (Downgraded)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
31-Jul-2017	Packing Credit	Long Term	13.00	ACUITE B+/Stable (Assigned)
	Post Shipment Credit	Long Term	3.00	ACUITE B+/Stable (Assigned)
	Standby Line of Credit	Long Term	2.40	ACUITE B+/Stable (Assigned)
	Post Shipment Credit	Long Term	4.00	ACUITE B+/Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE B / Stable (Upgraded)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B / Stable (Upgraded)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE B / Stable (Upgraded)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B / Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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