

Press Release

Ejaz Tanning Company

February 28, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.30	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	26.00	-	ACUITE A4 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	31.30	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.31.30 Cr. bank facilities of Ejaz Tanning Company.

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Ejaz Tanning Company (ETC) established in the year 1986 as a partnership firm by Mr. A R Ejaz Ahmed, Mr. A R Imtiaz Ahmed, Mr. A R Istiyaq Ahmed, Mr. A R Kashif Mohammad, Mr. Hisham Imtiaz Ahmed, and Mr. A.R.I. Ovais Adnan. The firm engaged in manufacturing of finished leather and leather garments (jackets, skirts, pants and coats.) and exports to Europe, USA, Russia, Korea and China. The firm has its tannery division in Vaniyambadi (Tamil Nadu) with production capacity of 5 million square feet per annum of leather and a garment division in Chennai (Tamil Nadu) with a production capacity of 72,000 garments pieces (garment division) per annum.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of ETC to arrive at the rating.

Key Rating Drivers

Strengths

>Long track record of operations, experienced management

Ejaz Tanning Company (ETC) established in 1986 is engaged in the manufacturing of finished leather and leather garments at Chennai. The firm was promoted by Mr. A R Ejaz Ahmed, Mr. A R Imtiaz Ahmed, Mr. A R Istiyaq Ahmed and Mr. A R Kashif Mohammad who possess experience of more than four decades in the leather industry.

>Moderate Sales and profitability

Ejaz Tanning Company (ETC) has recorded a revenue growth of 24.24% in FY2022 as it stood at Rs.64.41 crore for the year as against Rs.50.62 crore in FY2021 and Rs.78.05 crore in FY2020. The operating profitability of the firm declined slightly as it stood at 6.32 percent in FY2022 as against 6.78 percent in FY2021. The PAT Margins stood at 0.89 percent in FY2022 as against 0.15 percent in FY2021.

Weaknesses

> Below average financial risk profile

The financial risk profile of the firm stood below average marked by moderate net worth, high gearing and below average debt protection metrics. The tangible net worth stood moderate at Rs.14.08 crore as on 31 March 2022 as against Rs.12.48 crore as on 31 March, 2021. Total debt of the company stood high at Rs.38.08 crore as on 31 March 2022 as against Rs.34.23 crore as on 31 March, 2021. Total debt comprises of long term debt. Gearing (debt-equity) stood high though improved slightly compared to last year at 2.70 times as on 31 March 2022 as against 2.74 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 5.53 times as on 31 March 2022 as against 6.10 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times as on 31 March 2022. Debt protection metrics of the company is marked below average with interest coverage ratio at 1.70 times in FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.70 times in FY2022.

>Working capital intensive nature of operations

The working capital requirement of the firm continues to be intensive though an improvement is noted in FY2022 as the GCA days at 383 days as on March 31, 2022 as against 470 days as on March 31, 2021. The improvement in GCA days is on the account of improvement in Inventory days to 245 days as on March 31, 2022 from 313 days as on March 31, 2021. The Debtors days stood at 91 days as on March 31, 2022 as against 105 days as on March 31, 2021.

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position

Stretched

The company's liquidity profile is stretched marked by low net cash accruals of Rs.1.74 Cr in FY2022 against higher repayment obligations. The firm maintains unencumbered cash and bank balances of Rs. 0.15 crore as on March 31, 2022. The current ratio of the company stood moderate at 1.68 times as on March 31, 2022 as against 1.56 times as on March 31, 2021.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	64.41	50.62
PAT	Rs. Cr.	0.57	0.07
PAT Margin	(%)	0.89	0.15
Total Debt/Tangible Net Worth	Times	2.70	2.74
PBDIT/Interest	Times	1.70	1.71

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2022	Term Loan	Long Term	1.10	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	1.20	ACUITE B+ (Issuer not co-operating*)
	Packing Credit	Short Term	16.00	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	3.00	ACUITE B+ (Issuer not co-operating*)
30 Mar 2021	Packing Credit	Short Term	16.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	1.20	ACUITE B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	1.10	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	3.00	ACUITE B+ (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4 Reaffirmed & Withdrawn
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A4 Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Term Loan	Not available	Not available	31 Mar 2021	Simple	1.20	ACUITE B+ Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Term Loan	Not available	Not available	30 Sep 2022	Simple	1.10	ACUITE B+ Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Term Loan	Not available	Not available	30 Sep 2024	Simple	3.00	ACUITE B+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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