



SMERA RATINGS LIMITED

Savi Leathers (SL)

Rating
RationaleMarch 16, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	3.33	SMERA B+/Stable (Assigned)
Packing Credit	12.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.3.33 crore long-term bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.12.00 crore short-term bank facility of Savi Leathers (SL). The outlook is '**Stable**'. The ratings are constrained by the firm's high leverage. The ratings are also constrained by the firm's exposure to intense competition in the leather apparel business. The ratings note that the firm's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates. However, the ratings are supported by the firm's experienced management. The ratings also draw comfort from the strong revenue growth registered by the firm.

SL, established in 2008, is a Delhi-based partnership firm engaged in manufacturing and export of leather apparels. SL's high leverage is reflected in total outside liabilities to tangible net worth (TOL/TNW) ratio of ~6.83 times as on March 31, 2014. The firm faces intense competition from several manufacturers of leather apparels. SL's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates.

SL benefits from its experienced management. Mr. Sanjay Jha and Mr. Vijay Jha, partners of SL, have around two decades of experience in the leather apparel business. SL's operating income has increased at a strong compound annual growth rate (CAGR) of ~66 per cent during FY2010-11 to FY2013-14.

Outlook: Stable

SMERA believes SL will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues and net cash accruals, or in case of deterioration in the firm's financial risk profile and liquidity position.

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About the firm

SL, established in 2008, is a Delhi-based partnership firm promoted by Mr. Vijay Jha and Mr. Sanjay Jha. SL is engaged in manufacturing and export of leather apparels.

For FY2013–14, SL reported net profit of Rs.1.18 crore on total income of Rs.52.66 crore, as compared with net profit of Rs.1.16 crore on total income of Rs.47.98 crore in FY2012–13. SL's net worth stood at Rs.3.70 crore as on March 31, 2014, as compared with Rs.2.75 crore a year earlier.

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