



Press Release

M/S Model Tanners

April 27, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Short Term Bank Facilities	55.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	55.00	Rupees Fifty-Five Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned short-term rating of IVR A4+ for the bank loan facilities of M/S Model Tanners (MT).

The rating draws comfort from the experience of the partners with their continuous funding support and moderate capital structure. However, these strengths are partially offset by vulnerability to adverse regulatory changes in the leather and tannery industries, Competitive nature of the industry keeps margins under check and Risks associated with partnership constitution.

IVR has principally relied on the standalone audited financial results of M/S Model Tanners upto 31 March 2021, 9MFY22 results and projected financials for FY22, FY23 and FY24, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experience of the partners and their funding support:**
Benefits derived from the partners' experience of over two decades and their healthy relationships with suppliers and customers should continue to support the business. The partners are also likely to continue extending need-based funds to support the business.
- **Moderate capital structure**
The overall gearing on Net Adjusted Tangible Net Worth is comfortable at 1.33x as on March 31, 2021. Total indebtedness of the company as reflected by TOL/ATNW stood at 2.12x on March 31, 2021. DSCR and Interest coverage ratio stood comfortable at 2.32x and 2.41x in FY 21.

Key Rating Weaknesses

- **Vulnerability to adverse regulatory changes in the leather and tannery industries**
The Government of India has taken various initiatives to ban slaughtering of animals to keep the environment pollution free. Hence, regulatory changes by the central and state governments for the leather export industry will remain key rating sensitivity factor over the medium term.
- **Competitive nature of the industry keeps margins under check**
An intense competition among many organized and unorganized players in the leather products manufacturing business limit pricing flexibility and keep margins under check. Model Tanner's EBITDA margin remained at a moderate level of 8-9% over the last three years.
- **Risks associated with partnership constitution**
Given the MT constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.



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Analytical Approach: For arriving at the ratings, IVR has analyzed MT's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity remains adequate keeping in view of ~78% utilisation of the PC facility during the last 12 months ended on February, 2022. Liquidity ratios continues to be moderate with the Current ratio being 1.24x and Quick ratio being 0.69x in FY2021. The company has expected GCA of Rs. 5 crores to Rs. 8 crores from FY2022-FY2024, as against scheduled debt repayments of Rs. 1 crore to Rs. 4 crores in the same period.

About the company

Established in December 2013 in Kanpur, Uttar Pradesh, Model Tanners (MT) is a partnership firm that traded in finished leather until December 2014, when it commissioned its plant for manufacturing finished leather from raw hide. The firm is currently being managed by 3 partners Mr. Tabrez Alam, Mr. Zeeshan Alam and Mr. Zain Alam.

The company currently produces finished leather, belts, and upper shoe. The firm's major raw material are raw hide and chemicals, majority of which are procured from the domestic market.

Majority of the finished good is exported to the foreign markets being Turkey, China and Italy. Out of total revenue in FY 21, ~80% of the income is from export and the remaining ~20% is from domestic markets. The company has a good quality control system in place.

Financials (Standalone):

For the year ended as on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	78.41	78.70
EBITDA	6.98	6.35
PAT	0.87	0.88
Total Debt	38.49	47.36
Adjusted Tangible Net worth	35.07	35.49
EBITDA Margin (%)	8.90	8.06
PAT Margin (%)	1.11	1.11
Analysed Overall Gearing Ratio (x)	1.09	1.33



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Status of non-cooperation with previous CRA: CRISIL BB/Stable/ISSUER NOT COOPERATING (dated March 25, 2022)

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based	Short Term	55.00	IVR A4+ (Assigned)	-	-	-
2.	Non-Fund based	Short Term	5.00	IVR A4+ (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Packing Credit	-	-	-	50.00	IVR A4+
Letter of credit	-	-	-	4.00	IVR A4+
Forward Limit Contract	-	-	-	1.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Model-Tanners-Apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).