



Press Release

Model Tanners

June 28, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility - Proposed	1.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
2.	Short Term Bank Facility	74.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
	Total	75.00	Rupees Seventy-Five Crore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for long term facilities to IVR BBB- with stable outlook and IVR A3 for short term facilities of Model Tanners (MT).

The rating continues to draw comfort from its experienced partners and their funding support, improved scale of operations, average capital structure and debt protection metrics. However, these rating strengths are partially offset by vulnerability to adverse regulatory changes in the leather and tannery industries, elongated receivables cycle leading to high working capital intensity, risks associated with partnership constitution.

The Stable outlook is expected to remain stable with expected adequate demand of leather and its products. Model Tanners will continue to benefit from the extensive experience of its partners and long lasting and established relationships with their clients.

IVR has principally relied on the audited financial results of MT's up to 31 March 2023, Management Certified Provisional Results for FY2024 (Review period from 1st April 2023 to 31st March 2024), and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the firm's management.

Upward factors

- Substantial and sustained growth in operating income above Rs 225 crores and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward factors



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- Any further decline in revenue and/or EBITDA margin leading to negative GCA & decline in debt protection metrics.
- Any delay in payment of statutory dues
- Elongation of the average collection period leading to deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced 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.
- **Improved scale of operations:**
Total Operating Income (TOI) of the company increased to Rs. 174.09 crore in FY24(Pov.) from Rs.170.59 crore in FY23 due to increase in demand for the products in overseas market as well as in domestic market. EBITDA of the company remained constant at Rs.9.43 crore in FY24(Prov.) in comparison to FY23. PAT has marginally increased to Rs.1.43 crore in FY24(Prov.) from Rs.1.05 crore in FY23.
- **Average capital structure and debt protection metrics:**
The overall gearing on Net Adjusted Tangible Net Worth is comfortable at 1.47x as on March 31,2024(Prov.). Total indebtedness of the company as reflected by TOL/ATNW stood at 2.32x on March 31, 2024(Prov.). DSCR and Interest coverage ratio stood comfortable at 1.08x and 1.62x in FY24(Prov.).

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 a key rating sensitivity factor over the medium term.
- **Elongated receivables cycle leading to high working capital intensity:**
The receivable cycle of firm remains high, largely on account of elongated inventory holding cycle. Total credit given is of 114 days, while the cash conversion cycle is 158 days. Further, average working capital utilization also remained high at 88.37% ended in April 2024.



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- **Risks associated with partnership constitution:**

Given the Model Tanner's 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.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is adequate. The company's current ratio stood at 1.23x while quick ratio stood low at 0.70x due to high inventory levels as on March 31, 2024. The company is generating cash accrual of Rs.3.31 crore against the repayment of long-term debt of Rs.2.18 crore in FY24. The firm is expecting the gross cash accruals in the range of Rs.4.46 crore to Rs.5.59 crore as against the repayment in the range of Rs.1.87 crore to Rs.1.03 crore during FY2024-27.

About the Firm

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 firm 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.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	170.59	174.09
EBITDA	9.43	9.43
PAT	1.05	1.43
Total Debt	67.76	59.45
Tangible Net worth	37.49	40.39
EBITDA Margin (%)	5.53	5.42
PAT Margin (%)	0.62	0.82



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For the year ended*/As on	31-03-2023	31-03-2024
Overall Gearing Ratio (x)	1.81	1.47
Interest Coverage Ratio (x)	1.67	1.62

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CRISIL Ratings vide press release dated April 30, 2024, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (June 15, 2023)	Date(s) & Rating(s) assigned in 2021-22 (July 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 27, 2022)
1.	Fund Based - Proposed	Long Term	1.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2.	Fund Based	Short Term	70.00	IVR A3	IVR A3	IVR A4+	IVR A4+
3.	Non-Fund Based	Short Term	4.00	IVR A3	IVR A3	IVR A4+	IVR A4+

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit - Proposed	-	-	-	1.00	IVR BBB-/Stable
PC/FBD/FBE	-	-	-	70.00	IVR A3
Letter of Credit	-	-	-	4.00	IVR A3

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-june24.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](#).