

Rating Rationale

Brickwork Ratings assigns the ratings to 'BWR BB-' & 'BWR A4' for Bank Loan facilities aggregating ₹ 13.40 Cr of I. A. Leather (India) Private Limited

Brickwork Ratings have assigned the **Ratings**¹ for Bank Loan facilities aggregating ₹ 13.40 Cr of **I. A. Leather (India) Private Limited** availed from Canara Bank:

Facility	Limits (Rs Cr)	Tenure	Rating
Fund Based:			BWR BB-
Packing Credit	13.00	Long Term	<i>(Pronounced BWR Double B Minus)</i>
Non-Fund Based:			BWR A4
Foreign/Inland Letter of Credit	0.40	Short Term	<i>(Pronounced BWR A Four)</i>
Total	13.40	INR Thirteen Crores Forty Lakhs Only	

BWR has essentially relied upon the audited financials for FY12, FY13, FY14, and Projected financials for FY15 of I. A. Leather (India) Private Limited, publicly available information and information/clarification provided by the Company's management.

The rating factors in the promoters' experience, established relationships with reputed clients and a diversified product portfolio. However, rating is constrained by moderate scale of operations, thin profit margins, stretched liquidity, high gearing and severe competition from unorganized as well as organized players.

Background:

I. A. Leather (India) Private Limited is a private limited company located in Kanpur, Uttar Pradesh, established in 1964 as leading footwear manufacturer for men, women & children. The company is managed and promoted by the directors Ms. Ishita Ahmed, Mr. Ahmad Ehnsham, Mr Ahmad Sabab and Mr Ahmad Shanwaz with over twenty years of experience. At I.A. Leathers the leather products are processed out of ISO certified leather that is sourced directly from authorized tanneries. Latest technology and stringent quality checks procedures are employed, Men's footwear is manufactured completely by machinery whereas Women's footwear is done partially through machinery and partially hand-made. The company has set up its two fully equipped manufacturing plants in Kanpur each with a production capacity of 4000

¹ Please refer to www.brickworkratings.com for definition of the Ratings

pairs per day. The company has a fully dedicated team of merchandisers and a systematic value chain system planning.

Export sales constitutes 100% of footwear sales of the company. The main customers are in USA, Germany, France, South Africa, Chile & Australia.

Financial Performance:

Net sales has dropped by 8.17% in FY14, from 36.7 to Rs.33.74cr due to reduced orders. The Tangible net-worth of the company has increased from Rs.6.58 Cr in FY13 to Rs 6.73 Cr in FY14. The PAT has increased by 10.2% from FY13 to FY14. The cash conversion cycle has increased from 84 days in FY13 to 165 days in FY14 due to high receivables and inventory days which results in blockage of working capital. The company is highly levered, with its Debt equity standing at 4.28 times.

Rating Outlook:

The outlook for the company is expected to be stable for the next one year. Going forward, ability of the company to improve its scale of operations, profitability, working capital management and capital structure will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.