



## Rating Rationale

Zuhana Exporters

12th January 2018

**Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Zuhana Exporters (ZE)**

## Particulars

Facility rated	Amount in Crs		Tenure	Previous Rating (March 2015)	Present Rating
	Previous Limits	Present Limits			
<b><u>FUND BASED:</u></b>					
Packing Credit (Renewal cum enhancement from Rs.4.75 Cr.)	5.25	5.25	Short term	<b>BWR A4 (Pronounced as BWR A Four)</b>	<b>BWR A4 (Pronounced as BWR A Four) Reaffirmation</b>
Sub Limit PCFC(LC/FO-DP/DA 180 days)	(2.00)	(2.00)			
FBN/FBP/FBD/AAFBS C(LC/FO-DP/DA 180 Days)	6.00	6.00			
Sub limit – Post shipment credit in Foreign currency	(2.50)	(2.50)			
NON - FUND BASED: Import Letter of Credit	0.50	0.50			
<b>TOTAL</b>	<b>11.75</b>	<b>11.75</b>	<b>INR Eleven Crores and Seventy Five Lakhs Only</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Rating Reaffirmed

## Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has principally relied upon the audited financial results up to FY17 publicly available information and information/clarifications provided by the concern.

The ratings has factored the extensive industry experience of the Proprietor's, established track record of operations and diversified product portfolio. The ratings are, however, constrained by ZE's declining revenue levels, low net worth and high gearing levels, thin profit margins and stretched liquidity position, intense competition in the export market of ready-made garments, limited pricing flexibility on account of competition from international players and susceptibility of earnings to foreign exchange fluctuations.

Going forward, the ability of the concern to improve its scale of operations profitability as well as improvement in Profitability margins and effective working capital management would be the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes that Zuhana Exporters's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **Key rating drivers:**

- The concern is in existence of more than a decade with established track record in the business implies the concern's ability to sustain with external factors.
- The proprietor to this concern has vast experience of more than 3 decades of experience in the same line of business
- The sales of concern has declined to Rs.15.77 crs in FY17 as compared to Rs.23.78 crs in FY16.
- The concern derives majority of its revenue from overseas, and hence, is exposed to volatility in the value of the rupee.
- The concern faces intense competition from organised as well from unorganised players from the market and volatile raw material prices will have an impact on the profitability

### **About the Concern**

Zuhana Exporters , a propertership concern was established in 1993 at Tirupur, Tamilnadu. The concern is a manufacturer and exporter of Hosiery & Knitted garments. ZE product range comprise of various types of "knitted Hosieries" for Gents, Ladies and Kids. It exports the products to Dubai, Kuwait and Jeddah. They market the products through the commission agents



and brokers. The installed capacity of the unit is 13,000 pcs per day and achieved capacity is 8000 pcs per day. The concern is outsourcing activities like washing, bleaching, dying compacting, printing, and embroidering will be done by them.

### Concern's Financial Performance

ZE has reported a profit after tax (PAT) of Rs.0.23 crs. on Net Sales of Rs.15.77 crs. for FY17 as against profit after tax (PAT) of Rs.0.18 crs. on Net Sales of Rs.23.78 crs for FY16. As confirmed by the concern, the revenue achieved from April'17 to Dec'17 is Rs.8.56 crs. Tangible net worth stood as on March 31, 2017 was Rs.3.65 crs.

### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2017	2016	March 30, 2015
1	<b>Fund Based</b> Packing Credit (Renewal cum enhancement from Rs.4.75 Cr.)	Long Term	5.25	<b>BWR A4</b> <b>(BWR A four)</b> <b>Reaffirmation</b>	NIL		<b>BWR A4</b> <b>(BWR A four)</b>
2	FBN/FBP/FBD/AA FBSC(LC/FO-DP/D A 180 Days)	Short Term	6.00				
	<b>NON - FUND BASED:</b> Import Letter of Credit	Short Term	0.50				
	Total		11.75	<b>INR Eleven Crores and Seventy Five Lakhs Only)</b>			



Status of non-cooperation with previous CRA (if applicable) –Not Applicable

Any other information: Not Applicable

**Key Financials:**

Particulars	FY16 Audited	FY17 Audited
Net Revenue (Rs.Crs)	23.78	15.77
EBITDA (Rs.Crs)	0.81	0.93
PAT (Rs.Crs)	0.18	0.23
Tangible Net Worth (Rs.Crs)	3.52	3.65
Total Debt/TNW (Times)	5.08	4.49
Current Ratio (Times)	1.34	1.08

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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