

**October 07, 2014**

Facilities	Amount (Rs. Crore)	Rating
Term Loan	1.13	SMERA B/Stable (Assigned)
Term Loan	0.25	SMERA B/Stable (Assigned)
Cash Credit	6.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.7.38 crore bank facilities of Hiltex Industrial Fabrics Pvt. Ltd. (HIFPL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations and low net profit margins. The rating is also constrained by the company's exposure to project execution risk. However, the rating is supported by the company's long track record of operations, experienced management and healthy order book position.

HIFPL, incorporated in 1981, is a Kanpur-based company engaged in manufacturing of industrial fabrics. HIFPL's small-scale operations are reflected in total operating income of Rs.15.16 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.87 per cent (provisional) in FY2013-14.

HIFPL is exposed to project execution risk. The company is undertaking debt-funded capex of ~Rs.2.13 crore for replacing its old semi-automatic looms with fully-automatic looms. The aforementioned capex is likely to be funded through debt of Rs.1.38 crore and equity capital of Rs.0.75 crore. HIFPL expects to commission the project in November 2014. Any delay in project implementation will impinge on the debt servicing ability of the company.

HIFPL benefits from its experienced management. The directors of the company have around two decades of experience in the textile industry. HIFPL's healthy revenue visibility is reflected in pending orders of ~Rs.11.00 crore, which are likely to be executed over the next eight months.

### **Outlook: Stable**

SMERA believes HIFPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy revenue visibility. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile, or in case of delays in project execution. The outlook may be revised to 'Positive' in case the company generates larger-than-expected cash flows post successful commissioning of the project.

### About the company

HIFPL, incorporated in 1981, is a Kanpur-based company promoted by Mr. Rajiv Kishore Bhartiya and Mrs. Gayatri Devi Bhartiyan. HIFPL is engaged in manufacturing of industrial fabrics. The company has a weaving unit in Unnao, Kanpur (Uttar Pradesh).

For FY2013–14, HIFPL reported net profit of Rs.0.13 crore on operating income of Rs.15.13 crore, as compared with net profit of Rs.0.17 crore on operating income of Rs.17.46 crore in FY2012–13. HIFPL's net worth stood at Rs.3.99 crore as on March 31, 2014, as compared with Rs.3.86 crore a year earlier.

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