

December 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.14	SMERA B/Stable (Assigned)
Term Loan	2.35	SMERA B/Stable (Assigned)
Bill Discounting /Foreign Bill Discounting	4.00*	SMERA A4 (Assigned)

**Includes sublimit of PCH facility upto Rs.2.75 crore*

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.6.49 crore bank facilities of Hiltex Overseas. (HO). The outlook is '**Stable**'. SMERA has consolidated the business and financial risk profiles of HO, Universal Yarns & Tex Private Limited and Hiltex Industrial Fabrics Private Limited. The consolidation is in view of the similar business model and common management of the entities. The ratings are supported by the firm's long track record of operations, experienced management, moderate liquidity position and comfortable interest coverage ratio. However, the ratings are constrained by the firm's small-scale operations, high leverage and low net profit margin. The ratings factors in risks related to the proprietorship constitution of the firm

HO, established in 2004, is a Kanpur-based proprietorship firm engaged in manufacturing and export of industrial fabric. HO benefits from its experienced management. The proprietor of the firm has around three decades of experience in the textile industry. HO's utilisation of working capital limit is moderate at ~73 per cent during April 2014 to September 2014. The firm's interest coverage ratio is comfortable at 2.04 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). .

HO has small-scale operations marked by revenues of Rs.10.72 crore (provisional) in FY2013-14. The firm's net profit margin is low at 1.45 per cent (provisional) in FY2013-14. HO's debt-equity ratio is high at 2.98 times (provisional) as on March 31, 2014. The firm's financial risk profile is susceptible to withdrawal of capital, which is an inherent risk in proprietorship concerns.

Outlook: Stable

SMERA believes HO will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and profitability while achieving improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability amidst intensifying competition, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

HO, incorporated in 1981, is a Kanpur-based firm promoted by Mr. Rajiv Kishore Bhartiya. HO is engaged in manufacturing and export of industrial fabric. The firm has a weaving unit in Unnao, Kanpur (Uttar Pradesh).

For FY2013–14 (as per provisional financial statements), HO reported net profit of Rs.0.16 crore on operating income of Rs.10.72 crore, as compared with net profit of Rs.0.15 crore on operating income of Rs.9.77 crore in FY2012–13. The firm registered revenues of Rs.4.51 crore (provisional) during April 2014 to October 2014. HO's net worth stood at Rs.1.81 crore (provisional) as on March 31, 2014, as compared with Rs.1.59 crore a year earlier.

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