

December 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.42*	SMERA B/ Stable (Assigned)
Term Loan	3.11	SMERA B/ Stable (Assigned)
Bank Guarantee	3.00	SMERA A4 (Assigned)

**Includes sublimit of PCH facility upto Rs.0.50 crore*

SMERA has assigned ratings of **'SMERA B' (read as SMERA single B)** and **'SMERA A4' (read as SMERA A four)** to the Rs.11.53 crore bank facilities of Universal Yarns & Tex Private Limited (UYTPL). The outlook is **'Stable'**. SMERA has consolidated the business and financial risk profiles of UYTPL, Hiltex Overseas 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 company's long track record of operations, experienced management, moderate liquidity position and comfortable interest coverage ratio. However, the ratings are constrained by the company's small-scale operations, high leverage and low net profit margin.

UYTPL, established in 1989, is a Kanpur-based company engaged in manufacturing of industrial fabric. UYTPL benefits from its experienced management. The directors of the company have around three decades of experience in the textile industry. UYTPL's moderate liquidity position is evidenced by average utilisation (~60 per cent) of working capital limit during April 2014 to September 2014. The company's interest coverage ratio is comfortable at 2.11 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31).

UYTPL has small-scale operations marked by revenues of Rs.21.23 crore (provisional) in FY2013-14. The company's net profit margin is low at 0.85 per cent (provisional) in FY2013-14. UYTPL's leverage is high at 2.64 times (provisional) as on March 31, 2014.

Outlook: Stable

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

About the company

UYTPL was established as a proprietorship firm in 1989 and reconstituted as a private limited company in 2007. The company manufactures industrial fabric. UYTPL has a weaving unit in Unnao, Kanpur (Uttar Pradesh). The company is promoted by Mr. Rajiv Kishore Bhartiya.

For FY2013–14 (as per provisional financial statements), UYTPL reported net profit of Rs.0.18 crore on operating income of Rs.21.23 crore, as compared with net profit of Rs.0.58 crore on operating income of Rs.23.75 crore in FY2012–13. The company registered revenues of Rs.11.10 crore (provisional) during April 2014 to September 2014. UYTPL's net worth stood at Rs.2.87 crore (provisional) as on March 31, 2014, as compared with Rs.2.69 crore a year earlier.

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