

June 08, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------|-----------------------|---------------------------|
| Cash Credit | 9.00 | SMERA B+/Stable(Assigned) |

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.9.00 crore bank facilities of Handloom Cottage Private Limited (HCPL). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations in an intensely competitive segment of the fabric industry. The ratings are also constrained by the company's weak debt protection metrics. However, the ratings draw comfort from the company's established operations and experienced management.

HCPL, established in 2008, is a Kolkata-based company engaged in trading of fabrics. HCPL has small-scale operations marked by operating income of Rs.42.10 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the fabric trading industry. HCPL's weak debt protection metrics are reflected in high leverage (debt-equity ratio) of 4.71 times as on March 31, 2014 and moderate interest coverage ratio of 1.44 times in FY2013-14.

HCPL benefits from its experienced management. The promoters of the company have around one decade of experience in the fabric industry.

Outlook: Stable

SMERA believes HCPL will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in profitability and net worth. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability and net worth.

About the company

HCPL, established in 2008, is a Kolkata-based company promoted by Mr. Subodh Kumar Bajoria and Mrs. Meera Devi Bajoria. HCPL is engaged in trading of fabrics.

For FY2013-14, HCPL reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.42.10 crore, as compared with PAT of Rs.0.23 crore on operating income of Rs.30.75 crore in FY2012-13. The company's net worth stood at Rs.1.80 crore as on March 31, 2014, as compared with Rs.1.53 crore a year earlier.

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SMERA RATINGS LIMITED

Handloom Cottage Private Limited (HCPL)

*Rating
Rationale*

Contact List:

| Media/Business Development | Analytical Contacts | Rating Desk |
|---|---|--|
| Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in | Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-11-41806663 Email: parimal.thakker@smera.in | Tel: +91-22-6714 1184 Email: ratingdesk@smera.in |

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