

## Handloom Cottage Private Limited: Reaffirmed

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.00	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.9.00 crore bank facility of Handloom Cottage Private Limited (HCPL).

The rating continues to be constrained by the company's small scale of operations in an intensely competitive segment of the fabric industry. The rating also factors in the company's weak debt protection metrics. However, the rating continues to draw support from the established operations and experienced management.

### Update

For FY2015-16 (Provisional), HCPL reported net profit after tax of Rs.0.29 crore on total operating income of Rs. 40.22 crore as against net profit after tax of Rs.0.29 crore on total income of Rs.39.59 crore in the previous year. The profitability margins of the company have declined as evident from decline in EBITDA margin from 3.74 per cent in FY2014-15 to 3.22 per cent in FY2015-16 (provisional). Also, the PAT margin registered a decline from 0.74 per cent in FY2014-15 to 0.72 percent in FY2015-16 (provisional). The ROCE of the company declined to 12.54 per cent in FY2015-16 (provisional) from 16.12 percent a year earlier. The gearing of the company improved and stands at 3.22 times in FY2015-16 (provisional) as compared to 4.90 in the previous year. The interest coverage ratio has improved and stands at 1.46 times in FY2015-16 (provisional) as against 1.39 times a year earlier. However, DSCR has declined and stands at 0.96 times in FY2015-16 (provisional) as compared to 1.29 times in 2014-15. The working capital of the company has improved from 68 days in FY2014-15 to 60 days in FY2015-16 (provisional). The current ratio stands at 1.11 times in FY2015-16 (provisional) as against 1.01 times a year earlier. HCPL operates in an intensely competitive segment of the textile industry.

The company benefits from its experienced management Mr. Subodh Kumar Bijoria, Director, and Mrs. Meera Devi Bijoria possess over a decades experience in the textile industry.

### Outlook- Stable

SMERA believes that Handloom Cottage will maintain a stable outlook in the medium term owing to the 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.

### Rating Sensitivity Factors

- Improvement in the operating income and profitability
- Improvement in working capital cycle

### Criteria applied to arrive at the rating:

- Trading Entities

### About the Company

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

For FY2015-16 (Provisional), the company reported net profit after tax of Rs.0.29 crore on total income of Rs.40.22 crore as against net profit after tax of Rs.0.29 crore on total income of Rs.39.59 crore a year earlier. The net worth stood at Rs.2.34 crore as on March 31, 2016 (Provisional), as compared with Rs.2.09 crore a year earlier.

### Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
08 June, 2015	Cash Credit	9.00	SMERA B+ (Assigned)	-	Stable

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### ABOUT SMERA

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