

June 08, 2015

Facility	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>5.00</b>	<b>SMERA B/Stable (Assigned)</b>

SMERA has assigned a rating of '**SMERA B** (read as SMERA single B)' to the Rs.5.00 crore bank facility of Haseja Fibre India Private Limited (HFIPL). The outlook is '**Stable**'. The rating is constrained by the company's working capital-intensive operations, stretched liquidity position and small-scale of operations. The rating also factors in the low profitability, intense competition in the textile industry and project execution risk of the proposed manufacturing unit. However, the rating draws comfort from the company's experienced management.

HFIPL, incorporated in 2002, is a Mumbai-based company engaged in the manufacture of Zari, Tussar yarn and cotton sizing. The company has small-scale of operations with revenue of Rs.27.38 crore and low net profit margin at 0.82 per cent in FY2013-14 (refers to financial year, April 01 to March 31). However, the company's working capital-intensive operations with high working capital cycle at 131 days in FY2013-14 is a cause for concern. Besides, the company's liquidity position is stretched with average working capital utilization at ~99 per cent during the last six months. Also, the company faces intense competition from market forces.

The company plans to set up a melt spun spandex yarn manufacturing facility in Silvassa (Gujarat) at a total project cost of Rs.22.75 crore, likely to be funded through a bank loan of Rs.17.00 crore and promoters' funds of Rs.5.75 crore. While the proposed installed capacity of the unit is 960 mtpa, the financial closure for the project is yet to be achieved. However, the company benefits from its experienced management. Mr. Manish Khimawat, Director of HFIPL, has over two decades experience in the textile business.

### **Outlook: Stable**

SMERA believes that HFIPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in its scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position.

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### About the Company

HFIPL, incorporated in 2002, is a Mumbai-based company engaged in the manufacture of Zari, Tussar yarn and cotton sizing. The company reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.27.38 crore for FY2013-14, as compared with PAT of Rs.0.22 crore on operating income of Rs.29.46 crore in the previous year. The company's net worth stood at Rs.5.79 crore as on March 31, 2014, as against Rs.5.56 crore a year earlier. HFIPL earned revenue of ~Rs.34.64 crore (provisional) during FY2014-15.

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