

June 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.60	SMERA B/Stable (Assigned)
Letter of Credit	2.15	SMERA A4 (Assigned))
Bank Guarantee	0.40	SMERA A4 (Assigned)
Cash Credit (proposed)	1.00	SMERA B/Stable (Assigned)
Letter of Credit (proposed)	1.00	SMERA A4 (Assigned))
Bank Guarantee (proposed)	0.60	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) to the Rs.2.60 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A four**) to the Rs.4.15 crore short-term bank facilities of Hindustan Produce Company (HPC). The outlook is '**Stable**'. The ratings are constrained by the firm's modest scale of operations and weak profitability. The ratings are also constrained by the firm's large working capital requirements. The aforementioned weaknesses are partially offset by the firm's experienced management and reputed clientele.

HPC, established in 1964, is a Kolkata-based partnership firm engaged in trading of steel and Ferro alloys. HPC benefits from its experienced management. Mr. Surendra Keyal, partner of HPC, has around two decades of experience in the firm's line of business. HPC also benefits from its established relations with customers and suppliers.

HPC has modest-scale operations with revenues of Rs.30.31 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's weak profitability is reflected in operating profit margin of 1.72 per cent and net profit margin of 0.32 per cent in FY2013-14. HPC's operations are working capital-intensive with gross current assets (GCA) of 138 days and inventory holding period of 68 days in FY2013-14.

### Outlook: Stable

SMERA believes HPC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with customers and suppliers. The outlook may be revised to 'Positive' in case the firm achieves significant improvement in capital structure, or in case the firm registers sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of stretch in the firm's working capital cycle, or in case of deterioration in the firm's capital structure.

### About the firm

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For FY2013–14, HPC reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.30.31 crore, as compared with PAT of Rs.0.09 crore on operating income of Rs.30.77 crore in FY2012–13. The firm's net worth stood at Rs.2.28 crore as on March 31, 2014, as compared with Rs.3.85 crore a year earlier.

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