



SMERA RATINGS LIMITED

Himalaya Polyurethane Private Limited (HPPL)

*Rating
Rationale*

July 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	6.87	SMERA B+/Stable (Assigned)
Letter of Credit	4.00	SMERA A4 (Assigned)
Bank of Guarantee	4.00	SMERA A4 (Assigned)
Term Loan (proposed)	2.00	SMERA B+/Stable (Assigned)
Cash Credit (proposed)	1.13	SMERA B+/Stable (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.18.00 crore bank facilities of Himalaya Polyurethane Private Limited (HPPL). The outlook is '**Stable**'.

The ratings are constrained by the company's weak financial risk profile, modest-scale operations and high working capital requirements. The ratings note that the company is exposed to customer concentration risk. However, the ratings draw comfort from the company's experienced management and established brand image.

HPPL, incorporated in 1992, is a Valsad-based company engaged in manufacturing of polyurethane foam. HPPL has modest-scale of operations marked by revenue of Rs.7.84 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company's weak financial risk profile is reflected in high gearing (debt-equity ratio) of 6.49 times as on March 31, 2014, moderate interest coverage ratio of 2.53 times in FY2013-14 and modest net worth of Rs.1.45 crore as on March 31, 2014. HPPL's total debt of Rs.9.38 crore (as on March 31, 2014) includes interest-bearing unsecured loans of Rs.3.23 crore which are subordinated to bank debt. SMERA has considered such unsecured loans as neither debt nor equity.

HPPL has modest-scale operations marked by total operating income of Rs.7.84 crore in FY2013-14. The company's operations are working capital-intensive on account of high inventory levels (107 days in FY2013-14). HPPL is exposed to customer concentration risk as sales to a single group entity (Novelty Fabrics-N-Flexi Foam LLP) accounts for ~50 per cent of the company's total revenue.

HPPL benefits from its experienced management. The promoters of the company have around two decades of experience in the PU foam business. The company also benefits from the established image of its brands 'FLOORA' and 'FLYSTUFF'.

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**Outlook: Stable**

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

About the company

HPPL, formerly known as Styrofoam Insulation and Packaging (India) Private Limited, is a Valsad-based company incorporated in 1992. HPPL is owned by members of the Jadhvani family. The company undertakes manufacturing of polyurethane foam, which is sold under the brand names of 'FLOORA' and 'FLYSTUFF'. HPPL has two manufacturing units, one in Thane (Maharashtra) and the other in Valsad (Gujarat). The company's distribution network is spread across Maharashtra, Gujarat and Madhya Pradesh.

For FY2013-14, HPPL reported profit after tax of Rs.0.31 crore on operating income of Rs.7.84 crore, as compared with profit after tax of Rs.0.25 crore on operating income of Rs.5.96 crore in FY2012-13. The company's net worth stood at Rs.1.45 crore as on March 31, 2014, as compared with Rs.1.16 crore a year earlier. HPPL registered operating income of Rs.13.69 crore (provisional) in FY2014-15.

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