



SMERA RATINGS LIMITED

Home Fit Exports (HFE)

Rating Rationale

August 14, 2015

| Facilities | Amount (Rs. Crore) | Rating |
|------------------------------|---------------------|----------------------|
| Pre-Shipment Credit | 12.50 ^{^^} | SMERA A4+ (Assigned) |
| Post-Shipment Credit | 9.50 ^{#^} | SMERA A4+ (Assigned) |
| Gold Card Facility | 4.40 | SMERA A4+ (Assigned) |
| Proposed Short Term Facility | 0.60 | SMERA A4+ (Assigned) |

**Interchangeability of Rs.2.00 crore from pre-shipment credit to post-shipment credit and vice versa.*

#Loan against duty drawback (sublimit of post-shipment credit) upto Rs.0.10 crore.

^Demand loan of Rs.0.50 crore (sublimit of post-shipment credit).

^^Inland/Foreign Letter of credit of 90 days against sublimit of pre-shipment credit upto Rs.0.25 crore.

SMERA has assigned a rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.27.00 crore short term facility of Home Fit Exports (HFE). The rating draws comfort from the firm's moderate financial profile and healthy profitability indicators. The rating also takes into account the long track record of operations and experienced management. However, the rating is constrained by the geographical concentration risk, working capital intensive operations and susceptibility of profit margins to volatility in raw material prices.

Outlook: Stable

SMERA believes that the outlook for HFE will remain Stable over the medium term due to the experienced promoters. The outlook may be revised to 'Positive' if the firm achieves improvement in the capital structure and coverage indicators. Conversely the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability or deterioration in the capital structure.

Rating Sensitivity Factors

- Higher-than-expected debt funded capex plans
- Efficient working capital management
- Improvement in capital structure

About the Firm

HFE, established in 1993 is an Uttar Pradesh-based hardware manufacturer and Exporter of aluminum windows, iron bolts, brass handrail brackets among others. The firm is promoted by Sanjeev Kumar Gupta and his family and the manufacturing facility is located at Aligarh, Uttar Pradesh.

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For FY2013-14, HFE reported profit after tax (PAT) of Rs.1.57 crore on operating income of Rs.37.49 crore, as compared with PAT of Rs.2.12 crore on operating income of Rs.43.21 crore in FY2012-13. The firm reported PAT of Rs.2.32 crore (provisional) on operating income of Rs.50.83 crore (provisional) in FY2014-15. HFE's net worth stood at Rs.7.03 crore as on March 31, 2014, as compared with Rs.5.90 crore a year earlier.

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