

October 21, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA B/Stable (Assigned)
Cash Credit (WHR)	2.00	SMERA B/Stable (Assigned)
Term Loan	0.13	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B**' (read as SMERA single B) to the Rs.5.13 crore long-term (fund based) bank facility of Hemant Industries (Hemant). The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations and weak financial risk profile marked by high gearing. The rating is also constrained by the firm's exposure to fluctuations in raw material prices and intense market competition in the cotton ginning industry. However, the ratings draw support from the firm's experienced management and proximity to raw material source Khandwa.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile owing to the management's extensive experience in the same line of business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Scaling up of operations
- Improvement in the financial risk profile

About the Firm

Hemant Industries, established in 1997, is a Khandwa-based proprietorship firm engaged in the manufacturing and trading of cotton seed cake, gad and oil extraction. The firm is headed by Mr. Ashok Paliwal, the proprietor, who possesses more than two decades of experience in the business.

For FY2014-15, Hemant Industries reported net profit of Rs.0.12 crore on operating income of Rs.21.77 crore, as compared with net profit of Rs.0.13 crore on operating income of Rs.23.65 crore in FY2013-14. The firm's net worth stood at Rs.1.12 crore as on March 31, 2015, as compared with Rs.1.01 crore a year earlier.

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