

Press Release

Hemant Industries (Hemant)

30 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.13 Crore
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.5.13 crore bank facilities of Hemant Industries. The outlook is '**Stable**'.

The Madhya Pradesh-based Hemant Industries (Hemant) was established in 1997 by Mr. Ashok Paliwal. The firm is engaged in the manufacturing and trading of cotton seeds, cake and extraction of oil.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: Mr. Ashok Paliwal, Proprietor, possesses experience of over two decades in the cotton industry.

Proximity to raw material sources: Hemant benefits from its proximity to raw material sources. The processing plant is located at Khandwa, Madhya Pradesh in close proximity to cotton growing areas.

Weaknesses:

Moderate scale of operations: The modest scale of operations is marked by operating income of Rs.22.20 crore in FY2015-16 as compared to Rs.21.70 crore in FY2014-15.

Moderate financial risk profile: The financial risk profile continues to be moderate. The operating margins stand low at 1.74 per cent in FY2015-16 as against 1.63 per cent in FY2014-15. The PAT margins stood low at 0.44 per cent in FY2015-16 and 0.71 per cent a year earlier. Hemant has gearing (Debt-Equity ratio) of 1.84 times in FY2015-16 as against 2.50 times a year earlier. Further, the firm has moderate coverage ratio of 2.04 times in FY2015-16 as against 2.22 times a year earlier.

Competitive and fragmented industry: The cotton industry is highly competitive with low entry barriers resulting in intense competition from organised as well as unorganised players.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the firm will continue to maintain a stable outlook owing to the management's extensive experience in the cotton processing business. The outlook may be revised to 'Positive' in case of improvement in profitability and capital structure while improving the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity

The Madhya Pradesh-based Hemant Industries was established in 1997 by Mr. Ashok Paliwal. The firm is engaged in the manufacturing and trading of cotton seeds, cake and extraction of oil. The registered office of the firm is located at Khandwa, Indore.

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.10 crore on operating income of Rs.22.20 crore, as compared with PAT of Rs.0.15 crore on operating income of Rs.21.73 crore in FY2014-15. The net worth stood at Rs.1.76 crore as on March 31, 2016 against Rs.1.72 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): N. A.

Any other information: N.A.

Rating History for the last three years

Facilities	Scale	2017		2016		2015		2014	
		Amount Rs. Crore	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.00	SMERA B/Stable (Reaffirmed)	-	-	21 Oct, 2015	SMERA B/Stable (Assigned)	-	-
Cash Credit (WHR)	LT	2.00	SMERA B/Stable (Reaffirmed)	-	-	21 Oct, 2015	SMERA B/Stable (Assigned)	-	-
Term Loan	LT	0.13	SMERA B/Stable (Reaffirmed)	-	-	21 Oct, 2015	SMERA B/Stable (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	3.00	SMERA B/Stable (Reaffirmed)
Cash Credit (WHR)	N.A	N.A	N.A.	2.00	SMERA B/Stable (Reaffirmed)
Term Loan	N.A.	N.A.	N.A.	0.13	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Sudarshan Ansingkar, Rating Analyst, Tel: 080-4663 4613 Email: sudarshan.ansingkar@smera.in	

ABOUT SMERA

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