

Press Release

HEMANT INDUSTRIES

February 05, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 5.13 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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 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 is located at Khandwa, Indore.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Paliwal, has experience of more than two decades in the cotton seed cake and wash oil business. His extensive experience has helped the firm establish long term relations with customers and suppliers.

- **Proximity to cotton growing areas**

The manufacturing/processing unit is located at Khandwa- Madhya Pradesh, famous for cotton.

- **Comfortable working capital cycle**

The working capital operations are comfortable marked by GCA days of 73 in FY2017 compared to 62 days in FY2016. The GCA days are mainly dominated by Inventory days of 54 in FY2017 as against 15 days in FY2016. The debtor days stood at 9 in FY2017 and 6 days in FY2016.

Weaknesses

- **Modest scale of operations, stagnant revenues**

The proprietorship firm was established in 1997. The scale of operations has been modest with operating revenue of Rs 22.07 crore for FY2016-17 as against Rs 22.20 for FY2015-16. The firm booked revenue of ~ Rs 23.25 crore from April 2017 to January 2018.

- **Average financial risk profile**

The financial risk profile of Hemant Industries is average marked by gearing of 1.96 times in FY2017 and 1.84 times in FY2016. The Interest Coverage Ratio stood at 1.71 times in FY2017 compared to 2.04 times in FY2016. The net worth stood at Rs 1.86 crore in FY2017 as against Rs 1.76 crore in FY2016. The networth consists of proprietors capital of Rs 1.26 crore and depreciation reserve of Rs 0.56 crore.

- **Highly fragmented and competitive industry**

The firm is exposed to intense competition in the industry from several small and large players affecting margins.

- **Capital withdrawal risk**

Hemant Industries is exposed to risk of capital withdrawal considering its proprietorship constitution. However, no such instances have been observed during the period under study.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Hemant Industries to arrive at the rating.

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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.07	22.20	21.73
EBITDA	Rs. Cr.	0.46	0.39	0.35
PAT	Rs. Cr.	0.09	0.10	0.15
EBITDA Margin (%)	(%)	2.10	1.74	1.63
PAT Margin (%)	(%)	0.42	0.44	0.71
ROCE (%)	(%)	7.00	5.21	11.52
Total Debt/Tangible Net Worth	Times	1.96	1.84	2.50
PBDIT/Interest	Times	1.71	2.04	2.22
Total Debt/PBDIT	Times	7.69	8.39	10.07
Gross Current Assets (Days)	Days	73	62	82

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Jan-2017	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Cash Credit	Long Term	INR 2	SMERA B / Stable
	Term Loan	Long Term	INR 0.13	SMERA B / Stable
21-Oct-2015	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Cash Credit	Long Term	INR 2	SMERA B / Stable

	Term Loan	Long Term	INR 0.13	SMERA B / Stable
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*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.13	SMERA B / Stable

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ABOUT SMERA

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