

### **Henan Fibres (India) Private Limited: Upgraded**

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	5.50	SMERA B-/Stable (Upgraded from SMERA D)

SMERA has upgraded the rating on the Rs.5.50 crore bank facility of Henan Fibres (India) Private Limited (HFIPL) to '**SMERA B-**' (read as **SMERA B minus**) from '**SMERA D**' (read as **SMERA D**). The outlook is '**Stable**'.

The rating upgrade takes into account the absence of continuous overdrawning in the cash credit limit. The rating draws support from the extensive industry experience of the promoters. However, the rating continues to be constrained by the modest scale of business, declining profit margins and revenues and the working capital intensive operations.

#### **Update**

The revenues of the company declined to Rs.19.50 crore in FY2015-16 as against Rs.30.03 crore a year earlier. For FY2014-15, the EBITDA margin was 3.26 per cent as compared to 5.73 per cent in the previous year. The operations of the company are working capital intensive marked by gross current asset days of 123 days in FY2014-15 as against 133 days a year earlier. The company's stretched liquidity position is evident from the fully utilised cash credit limit during January to April, 2016.

Mr. Manish Khimawat, the key promoter has more than a decades experience in the textile industry.

#### **Rating Sensitivity Factors**

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management

#### **Outlook-Stable**

SMERA believes HFIPL will maintain a stable outlook over the medium term owing to the promoter's extensive industry experience. The outlook may be revised to 'Positive' in case the company registers substantial and sustainable growth in revenues or operating margins. Conversely, the outlook may be revised to 'Negative' if the working capital cycle deteriorates further due to stretch in payment realisation from customers. Besides, any significant debt funded capex undertaken by the company leading to deterioration in its financial risk profile especially liquidity may also entail a 'Negative' outlook.

#### **Criteria applied to arrive at the rating:**

- Manufacturing Entities

### About the Company

Incorporated in 2002, HFIPL, promoted by Mr. Manish Khimawat and family is engaged in the manufacture of yarn - polyester, cotton, blended among others. The manufacturing facility of the company is located at Mumbai.

For FY2015-16, HFIPL reported net loss of Rs.0.35 crore (Provisional) on operating income of Rs.19.50 crore as compared with Profit after Tax (PAT) of Rs.0.09 crore on operating income of Rs.30.03 crore a year earlier.

### Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
22 Jan, 2016	Cash Credit	5.50	SMERA D	-	

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