

Press Release

Hil Max Export

11 Sept, 2017

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 6.17 crore
Long Term Rating	SMERA B/Stable (Reaffirmed)

** Refer Annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA B**' (read as **SMERA B**) on the above bank facilities of Hil Max Export (HME). The outlook is '**Stable**'.

The Tamil Nadu-based HME, established in 2014, is a partnership firm engaged in the manufacturing of cotton yarn at Coimbatore. The firm, led by Mr. M. Karchikumar and Mr. D. Gopalakrishnan has an installed capacity of 6720 spindles.

List of key rating drivers and their detailed description:

Strengths

Moderate financial risk profile

HME has moderate financial risk profile marked by tangible networth of Rs.5.32 crore as on 31 March, 2017 (Provisional) as against Rs.5.31 crore as on 31 March, 2016. The gearing stood at 0.97 times as on 31 March, 2017 (Provisional) compared to 0.91 times in the previous year. The total debt of Rs.5.18 crore as on 31 March, 2017 (Provisional) mainly comprises working capital funding of Rs. 1.99 crore and term loan of Rs. 3.19 crore.

HME has modest interest coverage ratio of 2.70 times in FY2016-17 (provisional) as against 3.02 times in FY2015-16. The gearing is expected to remain comfortable in the medium term in the absence of large debt funded capex.

Stable operating margins: The operating margins have remained stable at 19.35 per cent in FY2016-17 (Provisional) compared to 19.75 per cent in FY2015-16.

Weaknesses

Limited operational track record with small scale of operations: HME was engaged in the trading and export of coir fibre from FY2013-14. The firm commenced commercial operations in textile manufacturing from Sep, 2015. HME operates on a small scale with revenue of Rs.7.88 crore in FY2016-17 (Provisional) as against Rs.4.69 crore in FY2015-16.

Highly fragmented and competitive industry, fluctuations in raw material prices: The firm is exposed to intense competition in the highly fragmented cotton industry and fluctuations in the prices of raw material (cotton).

Risk of capital withdrawal: The firm is exposed to risk of capital withdrawal considering its partnership constitution.

Analytical Approach

SMERA has considered the standalone business and financial risk profile.

Outlook: Stable

SMERA believes that HME will maintain a stable outlook and benefit over the medium term from the moderate financial risk profile. The outlook may be revised to 'Positive' if the firm registers strong growth in scale of operations while achieving improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenue or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

About the rated entity – key financials

For FY2016–17 (Provisional), HME reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.7.88 crore, as against net loss of Rs.0.06 crore on operating income of Rs.4.69 crore in FY2015–16. The net worth stood at Rs.5.32 crore as on 31 March, 2017 (Provisional) compared to Rs.5.31 crore, a year earlier.

Applicable Criteria

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10 -Jul, 17	Cash Credit	Long Term	2.00	SMERA B/ Stable (Indicative)
	Term Loan I	Long Term	0.90	SMERA B/ Stable (Indicative)
	Term Loan II	Long Term	0.99	SMERA B/ Stable (Indicative)
	Term Loan III	Long Term	2.00	SMERA B/ Stable (Indicative)
	Term Loan IV	Long Term	0.28	SMERA B/ Stable (Indicative)
17-Mar, 16	Cash Credit	Long Term	2.00	SMERA B/ Stable (Assigned)
	Term Loan I	Long Term	0.90	SMERA B/ Stable (Assigned)
	Term Loan II	Long Term	2.00	SMERA B/ Stable (Assigned)
	Term Loan III*	Long Term	1.00	SMERA B/ Stable (Assigned)
	Term Loan IV	Long Term	0.27	SMERA B/ Stable (Assigned)

* Import LC/Buyers Credit up to Rs. 1.35 crore as a sub limit of Term Loan III.

***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	NA	NA	NA	2.00	SMERA B/ Stable (Reaffirmed)
Term Loan I	NA	NA	NA	0.90	SMERA B/ Stable (Reaffirmed)
Term Loan II	NA	NA	NA	2.00	SMERA B/ Stable (Reaffirmed)
Term Loan III*	NA	NA	NA	1.00	SMERA B/ Stable (Reaffirmed)
Term Loan IV	NA	NA	NA	0.27	SMERA B/ Stable (Reaffirmed)

* Import LC/Buyers Credit up to Rs. 1.35 crore as a sub limit of Term Loan III.

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ABOUT SMERA

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