



Rating Rationale

Hi Style Products

21 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.28 Crores of Hi Style Products.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	5.28	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Total	5.28	INR Five Crores Twenty Eight Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial statements upto FY17, provisional financials as on 31st March 2018 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of management in manufacturing industry, moderate debt protection metrics, diversified customer base. However, the rating is constrained by concern's high gearing ratio, low net worth, susceptibility to volatility of raw material prices, highly fragmented nature of the industry. Further being a proprietorship firm, any withdrawals of the capital by the proprietor for any contingencies would adversely impact the capital structure which would be a rating sensitivity.

Going forward, the ability of the firm to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of the management:** Mr. Mahendran, proprietor of this firm has 20 years of experience in the field of manufacturing
- **Moderate Debt Protection Metrics:** ISCR and DSCR are adequate at 2.19 and 1.81 times respectively in FY17
- **Diversified Customer Base:** The concern has customer base spread across various states such as Tamil Nadu, Karnataka, Kerala, West Bengal, Bihar and Assam



Credit Risks:

- **High Gearing Ratio:** The gearing ratio of the firm is high at 3.32 times and 3.55 times in FY16 and FY17 respectively
- **Very Low Net Worth:** Tangible Net Worth of the concern is very low at Rs.1.25Cr and Rs.1.63Cr in FY16 and FY17 respectively
- **Susceptibility to volatile raw material prices:** Prices of key raw materials such as particle board and chemicals, mica could vary as per the demand-supply condition, and thus could impact profitability
- **Highly Fragmented Nature of the industry:** Hi Style Products is operating in a highly fragmented industry with a number of players. The players in the industry do not have pricing power and are exposed to the competition induced pressures on profitability
- **Constitution of the entity as a proprietorship concern:** Hi Style Products being a proprietorship concern, is exposed to inherent risk of capital withdrawal at the time of personal contingency which will affect its capital structure

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Hi Style Products** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues & profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down & profit margins show lower than expected figures.

About the firm

Hi Style Products is a wooden manufacturing proprietorship concern based from Dindugal, incorporated in 2005. Mr.Mahendran is the sole proprietor of this firm and has around 20 years of experience in this field. The concern caters to domestic, commercial establishments as well as educational institutions. The factory is spread over a vast area of 1,00,000 square feet with well equipped state of the art facilities which includes latest hi tech machineries of Homag from Germany. The primary raw material for this firm is E2/E1/E0 particle board, mica sheet, tape roll and edge bending roll. Particle Wood is the type of wood used for all their products. Hi Style Products has a brand named "Vickys" which is a well reputed brand in India. Manufacturing capacity of the unit is 40,000 units per annum. The concern has customer base spread across various states such as Tamil Nadu, Karnataka, Kerala, West Bengal, Bihar and Assam. Some of the products that Hi Style Products manufacture are bedroom sets, center table, conference table, dining table, wardrobe, office table etc.,

Financial Performance

The firm reported a net revenue from operations of Rs.15.98Cr in FY17 and Rs.12.16Cr in FY16. Net profit margin reported at 4.43% in FY17. Tangible net worth stood at Rs.1.63Cr as at the end of March 31, 2017

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	4.75	BWR B+ (Outlook:Stable)	NIL	NIL	NIL
2	Term Loan 1	Long Term	0.15		NIL	NIL	NIL
	Term Loan 2	Long Term	0.38		NIL	NIL	NIL
	Total		5.28	₹ Five Crores Twenty Eight Lakhs Only			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	15.98	12.16
EBITDA	₹ Cr	1.29	1.31
PAT	₹ Cr	0.71	0.90
Tangible Net worth	₹ Cr	1.63	1.25
Total Debt/Tangible Net worth	Times	3.55	3.32
Current Ratio	Times	0.70	0.70

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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