

HIMACHAL FIBRES LIMITED

Brickwork Ratings reaffirmed long term ratings and short term ratings for the bank loan Facilities of ₹ 21.20 Crores of Himachal Fibres Limited (HFL).

Particulars :

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (Sep,2018)	Present Rating
<u>Fund based</u> Cash Credit Limit	13.00	13.00	Long Term	BWR D (Assigned)	BWR D Reaffirmed
W.C.T.L	4.59	3.20			
<u>Non Fund Based</u> <u>L.C</u>	5.00	5.00	Short Term	BWR D (Assigned)	BWR D Reaffirmed
Total	22.59	21.20	INR Twenty One Crores Twenty Lakhs Only		

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

** Details of Bank facilities/is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating to BWR D for Long term bank facilities and short term facilities of Himachal Fibres Limited (HFL).



The ratings take into account the extensive experience of the promoter and long track record of business. However the rating is constrained by decline in revenues and delay in interest payments.

BWR believes that the business risk profile of Himachal Fibres Limited will be maintained over the medium term. The rating outlook may be revised to positive if accounts will be regular and satisfactory and there is improvement in their revenues. The rating outlook may be revised to 'Negative' if there is any deterioration in the revenues of the firm and financial risk profile of the Company.

KEY RATING DRIVERS

Credit Strengths:

1. **Experienced Promoters and Long track record of business:** The promoters of the company have a rich experience of more than 30 years in yarn business that helps them to maintain a better relationship with their customers and suppliers as well. The company also has a long track record of business for more than 30 years and has seen many complete business cycles.
2. **Moderate Financial Risk Profile :** The company has moderate gearing with TD/TNW of 0.70 times and has moderate current ratio of 1.78 times in FY19 (Audited).

Credit Risks:

1. **Delay in Interest Payments and Devolvement in L.C Limit :** There is delay in interest payments for term loan and cash credit limit for one month and devolvement in L.C limit also.
2. **Decline in Revenues :** The company revenues has declined by almost 20% in FY19 as compared to previous year FY18 due to adverse market scenario and weak market demand leading to lower production and revenues growth.

Analytical Approach and Applicable Rating Criteria

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

RATING SENSITIVITIES

Going forward, regularity in account, and improvement in revenues will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to maintain their account regular with bank, make significant improvement in their revenues, profitability margins, and able to maintain their gearing level.

Negative : The rating will be downgraded if there is any deterioration in the financial Risk Profile of the company including revenue.

LIQUIDITY POSITION : Stretched

The firm has nil associate concern or subsidiary concern. The company has cash & bank balances of Rs 0.14 crores in FY19 (Audited). The company has average utilisation of 93% of their cash credit limit from the last six months. The company has long term borrowings consisting of working capital term loan of Rs 2.49 crores and car loan of Rs 0.39 crores in FY19 (Audited). The company has current maturities of long term debt of Rs 1.39 crores in FY19 (Audited). The company has an interest service coverage ratio of 1.23 times and debt service coverage ratio of 1.19 times in FY19 (Audited). The current ratio has been 1.78 times as at FY19 (Audited). The company has a conversion cycle of 292 days in FY19 (Audited).

About the Company

Himachal Fibres Limited was incorporated on 20th February 1980. The Company was Promoted by Mr B.K. Garodia a technocrat in financial collaboration with Himachal Pradesh Mineral & Ind. Development Corp. Ltd. The company manufactures cotton and synthetic blended yarn. The Company belongs to the then Birlas (Yash) Group. In 1984, the first time the company came out as a Public Company. Himachal Fibres Limited was exporting more than 80% of its production to overseas markets like Europe and Mauritius. HFL is engaged in manufacturing of grey/dyed cotton/Synthetics yarns with different blends and having its registered office at Industrial Area,

Barotiwala, Himachal Pradesh. The Company is currently managed by Mr Gian Chand Thakur, Mr Manoj Kumar and Mr Surjit Singh and other directors.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	47.76	55.76
EBITDA	₹ Cr	4.42	4.93
PAT	₹ Cr	0.41	(0.68)
Tangible Net worth	₹ Cr	32.99	31.38
TD:TNW	Times	0.70	0.81
Current Ratio	Times	1.78	1.64

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : CARE D as Issuer Not Cooperating as on 27.05.2019.

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1.	Fund Based Cash Credit Limit W.C.T.L	Long Term	13.00 3.20	BWR D Reaffirmed	NA	BWR D Assigned	NA
2.	Non Fund Based L.C	Short Term	5.00	BWR D Reaffirmed	NA	BWR D Assigned	NA
	Total		21.20	Twenty One Crores Twenty Lakhs ₹ Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Manufacturing Companies

Analytical Contacts	Investor and Media Relations
<p>Aman Sharma Primary Analyst Board: 91 172- 5032295/6 aman.s@brickworkratings.com</p> <p>VK Kukreja Associate Director – Ratings Board: 91 11 -23412232 Kukreja.vk @brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

ANNEXURE I-HIMACHAL FIBRES LIMITED

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	STATE BANK OF INDIA	<u>Fund Based</u> Cash Credit Limit W.C.T.L	13.00 3.20	16.20
2.	STATE BANK OF INDIA	<u>Non Fund Based</u> L.C Limit	5.00	5.00
TOTAL : INR TWENTY ONE CRORES TWENTY LAKHS Only				21.20



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