

Himachal Fibres Limited

May 27, 2019

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|--|---|
| Long term Bank Facilities | 22.00 | CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on best available information |
| Short term Bank Facilities | 5.00 | CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on best available information |
| Total | 27.00 (Rs. Twenty Seven crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 08, 2018, placed the rating(s) of Himachal Fibres Limited (HFL) under the 'issuer non-cooperating' category as HFL had failed to provide information for monitoring of the rating. HFL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated May 20, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on March 08, 2018, the following were the rating weaknesses (updated for the information available from stock exchange.)

Key Rating Weaknesses

Ongoing delays in debt servicing: There are ongoing delays in the servicing of the debt obligations of the company on account of stressed liquidity position.

Weak financial risk profile: The company continued to be in losses at the net level in FY18 which led to decline in networth of the company. This led to further deterioration in the capital structure of the company.

Working capital intensive nature of operations: The working capital cycle of the company remained elongated at 213 days in FY18. The operations of the company therefore remained highly working capital intensive.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

Financial ratios – Non-Financial Sector

CARE's methodology for manufacturing companies

CARE's policy on default recognition

Criteria for short-term instruments

Rating Methodology for Cotton Yarn Industry

About the Company

Set up in 1980, Himachal Fibres Limited (HFL) was promoted by Mr. BK Garodia in collaboration with Himachal Pradesh Minerals & Industrial Development Corporation Limited. It was subsequently acquired by the 'Shiva' group in 2010. The product profile of HFL was also changed from cotton yarn to include polyester spun yarn, acrylic yarn, blended yarns and knitted cloth. HFL operates from its manufacturing facility in Baddi, Himachal Pradesh at an installed capacity of 20,344

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

spindles and 504 rotors, as on March 31, 2015. The debt of the company was restructured in March-2015 due to liquidity constraints.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income | 55.88 | 55.83 |
| PBILDT | 3.78 | 5.01 |
| PAT | -1.63 | -0.68 |
| Overall gearing (times) | 2.49 | 2.60 |
| Interest coverage (times) | 1.05 | 1.36 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-----------------------------|------------------|-------------|---------------|-------------------------------|--|
| Fund-based - LT-Term Loan | - | - | February 2023 | 7.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |
| Fund-based - LT-Cash Credit | - | - | - | 15.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |
| Non-fund-based - ST-ILC/FLC | - | - | - | 5.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|--|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | 7.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | - | 1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18) | 1)CARE D (17-Feb-17) |
| 2. | Fund-based - LT-Cash Credit | LT | 15.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | - | 1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18) | 1)CARE D (17-Feb-17) |

| | | | | | | | | |
|----|-----------------------------|----|------|--|---|---|---|----------------------|
| 3. | Non-fund-based - ST-ILC/FLC | ST | 5.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | - | 1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18) | 1)CARE D (17-Feb-17) |
|----|-----------------------------|----|------|--|---|---|---|----------------------|

*Issuer did not cooperate; Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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