

## Himachal Fibres Limited

August 20, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	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
<b>Total</b>	<b>27.00</b> (Rs. Twenty Seven crore only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated May 27, 2019, placed the ratings of Himachal Fibres Limited (HFL) under the 'issuer non-cooperating' category as HFL failed to provide information for monitoring of the ratings. HFL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated August 12, 2020. 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 ratings.**

### Detailed description of the key rating drivers

At the time of last rating on May 27, 2019, the following were the rating weaknesses:

#### Key Rating Weaknesses

**Ongoing delays in debt servicing:** There are ongoing delays in the servicing of the debt obligations of the company.

**Weak financial risk profile:** The debt equity ratio and overall gearing ratio remained weak at 1.24x and 2.18x, respectively, as on March 31, 2019 (PY: 1.53x and 2.60x, respectively, as on March 31, 2018). The PBILDT interest coverage ratio stood at 1.25x in FY19 (refers to the period from April 01 to March 31; PY: 1.36x) and the total debt to GCA ratio also remained weak at 19.19x as on March 31, 2019 as compared to 23.18x as on March 31, 2018.

The total operating income declined by ~14% in FY19. The PBILDT margins of the company stood at 9.36% in FY19 as compared to 8.98% in FY18. The company reported a net profit of Rs.0.35 cr. compared to net losses in FY18.

**Working capital intensive nature of operations:** The working capital cycle of the company remained elongated at ~252 days as on March 31, 2019 (PY: ~213 days).

**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

Liquidity analysis of non-financial sector entities

<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

### 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 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)	FY18 (A)	FY19 (A)
Total operating income	55.83	47.82
PBILDT	5.01	4.47
PAT	-0.68	0.35
Overall gearing (times)	2.60	2.18
Interest coverage (times)	1.36	1.25

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**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	-	-	-	7.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	5.00	CARE D; ISSUER NOT COOPERATING*

\*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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	7.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (27-May-19)	-	1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18)
2.	Fund-based - LT-Cash Credit	LT	15.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (27-May-19)	-	1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18)
3.	Non-fund-based - ST-ILC/FLC	ST	5.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (27-May-19)	-	1)CARE D; ISSUER NOT COOPERATING* (08-Mar-18)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-ILC/FLC	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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.

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