

Press Release

Harihar Industries (HI)

02 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.10.00 crore bank facilities of Harihar Industries (HI). The outlook is '**Stable**'.

HI, a partnership firm is engaged in cotton ginning and pressing since 2014. The commercial operations commenced from 2015.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoter, Mr Pushkarbhai, possesses around two decades of experience in the aforementioned line of business.

Proximity to raw material sources: The manufacturing unit is located at Kadi, Gujarat in close proximity to raw material sources.

Weaknesses:

Limited track record and modest scale of operations: The firm has limited track record of operations. The operating revenue for FY 2016 is Rs.45.28 crore.

Average financial risk profile: The firm has low net worth base of Rs.3.23 crore as on 31 March, 2016. The overall gearing (total debt to equity ratio) stood at 1.25 times as on 31 March, 2016. The DSCR stood at 1.95 times and the Interest coverage ratio was comfortable at 1.91 times as on 31 March, 2016.

Susceptibility of profitability to volatility in raw material prices: The profit margins are susceptible to fluctuations in the price of cotton – the main raw material.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of HI.

Applicable Criteria

- Manufacturing Entities: <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>

Outlook: Stable

SMERA believes that the outlook for HI will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the Rated Entity

HI was established in 2014 and commenced commercial operations in cotton ginning and pressing from 2015. It is headed by Mr. Pushkarbhai Patel and family. The manufacturing facility is located at Kadi, Gujarat. The firm has 40 ginning machines with capacity to produce 350 cotton bales per day.

For FY2016, HI reported profit after tax of Rs.0.02 crore on net sales of Rs.45.28 crore. The net worth stood at 3.23 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	6.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	2.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	LT	2.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

***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	N.A	N.A	N.A	6.00	SMERA B+/Stable (Assigned)
Term Loan	N.A	N.A	September 2020	2.00	SMERA B+/Stable (Assigned)
Proposed Cash Credit	N.A	N.A	N.A	2.00	SMERA B+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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