

Press Release

Harihar Industries

06 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

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

Harihar Industries (HI) was established in the year 2014 as a partnership firm; however the firm commenced its operation from 2015. The firm is promoted by Mr. Pushkar Patel and his family members. The firm is engaged in cotton ginning and pressing operations. The firm's manufacturing facility is located in Kadi, District Mehsana. The firm has 40 ginning machines with total install capacity to produce 350 cotton bales per day. The ginning & pressing is done on the availability of Raw Cotton which being majorly dependent on Monsoon and is seasonal. The firm caters to textile and spinning mills mainly in Gujarat and Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management**

Harihar Industries was established in the year 2014 as a partnership firm; however the firm commenced its operation from 2015. The promoter Mr. Pushkar Patel has more than 15 years of experience in same line of business.

- **Favorable Location**

This group is located in Kadi, Gujarat. Gujarat is one of the largest textile manufacturing and processing hub giving it easy availability of key raw materials and its proximity to customers.

Weaknesses

- **Average financial risk profile**

The overall gearing (total debt to equity ratio) stood at 2.06 times in FY17 as compared to 1.25 times in FY16. The Interest coverage ratio stood at 2.87 times in FY17, also the DSCR stood at 0.98 times in FY 17. The Networth stood at 2.16 times in FY 2017. The current cash credit utilization is around ~70-80 %.

- **Susceptibility of margins to volatility in raw material price fluctuations**

Prices of raw cotton are stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the profitability.

Analytical Approach

SMERA has considered the standalone financials of Harihar Industries

Outlook: Stable

SMERA believes that Outlook for HI will remain Stable over medium term on the account of 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 capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	49.21	45.28	0.00
EBITDA	Rs. Cr.	0.57	0.90	-0.08
PAT	Rs. Cr.	0.01	0.02	-0.19
EBITDA Margin	(%)	1.15	1.99	0.00
PAT Margin	(%)	0.02	0.04	0.00
ROCE	(%)	3.11	9.82	-4.59
Total Debt/Tangible Net Worth	Times	2.22	1.32	1.81
PBDIT/Interest	Times	2.87	1.91	-0.61
Total Debt/PBDIT	Times	7.67	4.35	-28.09
Gross Current Assets (Days)	Days	47	39	0

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Feb-2017	Cash Credit	Long Term	INR 6.00	SMERA B+ / Stable
	Term Loan	Long Term	INR 2.00	SMERA B+ / Stable
	Proposed Cash Credit	Long Term	INR 2.00	SMERA B+ / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.10	SMERA B+ / Stable

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ABOUT SMERA

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