

May 26, 2016

Facilities	Amount (Rs. Crore)	Rating
Overdraft	4.00	SMERA BB/ Stable (Reaffirmed)
Proposed Cash Credit	0.04	SMERA BB/ Stable (Reaffirmed)
Packing Credit	19.50	SMERA BB/ Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the above mentioned bank facilities of Hari & Co. (HC). The outlook is '**Stable**'. The rating draws support from the firm's established operations, experienced management and reputed clientele. The rating also derives strength from the comfortable financial risk profile. However, the rating is constrained by the firm's tender based business, exposure to geographical concentration risk and intense market competition

HC, established in 1985, is a Tuticorin-based firm engaged in the export of agricultural commodities. The firm is also into freight forwarding and logistics. The financial risk profile of the firm is comfortable marked by low gearing of 0.89 times and moderate interest coverage ratio of 3.18 times as on March 31, 2015. However, with 99 per cent of exports being made to Maldives, there's substantial exposure to geographic concentration risk. Additionally, the firm's revenues are dependent on tenders for export orders. The firm faces intense competition in its tender based business and freight and forwarding business from other players.

Update

HC booked revenue of Rs.103.92 crore in FY2014-15 as compared to Rs.52.01 crore in FY2013-14 registering a 100 per cent growth in scale of operations. For FY2014-15 audited financial, contribution from export sales in total revenue increased to 87.17 per cent as compared to 60.01 per cent in FY2013-14. The EBIDTA margins decreased from 23.60 per cent in FY2013-14 to 16.73 per cent in FY2014-15. However, the fall of EBIDTA margins was due to increase in share of export sales in the total revenue as compared to revenue from freight and forwarding division. Further, PAT margins fell from 12.14 per cent in FY2013-14 to 7.83 per cent in FY2014-15. The networth of the firm increased from Rs.20.63 crore as on March 31, 2014 to Rs.24.61 crore as on March 31, 2015.

Rating Sensitivity Factors

- Scalability of operations and sustainability of profit margin
- Efficient working capital management

Outlook: Stable

SMERA believes HC will maintain a moderate business risk profile in the medium term owing to the established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' if the firm is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profit margins.

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About the Firm

HC was established as a partnership firm in 1985 by Mr. Annamalai Samy. The firm exports agricultural and construction material products to Maldives and is also into freight forwarding and logistics. For 2014-15, HC reported profit after tax (PAT) of Rs.8.14 crore on operating income of Rs.103.99 crore as compared to PAT of Rs.6.35 crore on operating income of Rs. 52.29 crore for FY2013-14.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in	Mr. Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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