

May 20, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the above mentioned bank facility of Harish Textile Engineers Private Limited (HTEPL). The outlook is Stable. The rating derives comfort from the long track of operations, experienced management and reputed clientele. However, the rating is constrained by the uneven profit margins, moderate scale of operations and over drawings in the cash credit account.

To arrive at the rating, SMERA has combined the business and financial risk profiles of HTEPL and Harish Enterprise Private Limited (HEPL) due to operational linkages and synergies within the group. Also, both companies are under a common management and in a similar line of business. Moreover, w.e.f April 1, 2016 HEPL merged with HTEPL.

Harish Group is a family run business promoted by Mr. Kirti Shantilal Gandhi who possesses over five decades of experience in the same industry. HEPL commenced business in 1955 as a partnership firm. The company has an average financial risk profile marked by Interest Coverage Ratio of 5.58 times and Debt Service Coverage Ratio of 3.79 times as on March 31, 2015, with a gearing of 0.60 times. The company has several reputed clients such as, Reliance, Arvind, Reid and Taylor to name a few owing to the long track record of operations and experienced management.

However, the rating is constrained by the uneven PAT margins of Harish Group with 1.97 per cent in FY2012-13 to 0.93 per cent in FY2014-15 and liquidity crunch due to over utilisation in the cash credit account.

Rating Sensitivity Factors

- Scaling up of operations
- Sustained improvement in profitability

Outlook: Stable

SMERA believes that the outlook on HTEPL's rated facility will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to Positive if the company registers sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to Negative in case of a steep decline in the company's operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

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About the Company

Harish Textile Group, established in 1964 is engaged in the designing and manufacturing of textile machines. In 1970, the group was converted into a private limited company with members of the Gandhi family as its promoters and directors. Since 1964, the group was engaged in the production of hot air stenter machine. The two companies - Harish Enterprises and Harish Textile Engineers have been manufacturing quality textile machineries since over six decades now.

For FY2014-15, the Harish Group reported profit after tax (PAT) of Rs.0.48 crore on total income of Rs.51.46 crore as against PAT of Rs.0.80 crore on total income of Rs.50.01 crore for FY2013-14. On standalone basis, HTEPL reported PAT of Rs.0.08 crore on a total income of Rs. 16.76 crore as against PAT of Rs. 0.45 crore on total income of Rs. 20.70 crore for FY2013-14.

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