

Press Release

16 March, 2018

Harish Textile Engineers Private Limited (HTEPL)



Rating Reaffirmed

| | |
|--------------------------------------|----------------------------|
| Total Bank Facilities Rated * | Rs.6.00 crore |
| Long Term Rating | SMERA BB-/ Outlook: Stable |

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs.6.00 crore bank facilities of Harish Textile Engineers Private Limited (HTEPL). The outlook is '**Stable**'.

The Mumbai based HTEPL, part of the Harish Textile group was established in 2010 by Mr Gandhi and family. The company is engaged in the designing and manufacturing of textile machines. Harish Enterprises Private Limited, was established in 1955 as a partnership firm (Harish Enterprises) to manufacture Drying ranges, Pneumatic padder, Sizing cylinders and converted to private limited in 1970.

Both companies of the Harish Textile group - Harish Enterprises and HTEPL cater to domestic as well as overseas clients in Sri Lanka, Malaysia, Bangladesh, Vietnam among others.

Key Rating Drivers

Strengths

Experienced and qualified management

The Harish group has been in the said line of business since 1955. Mr. Kirti Shantilal Gandhi, Promoter and Director and Mr. Sandeep Gandhi, Director, possess extensive experience in the industry.

Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs. 4.66 crore as on 31 March, 2017 as against Rs. 2.97 crore as on 31 March, 2016. The gearing ratio improved to 1.72 times as on 31 March, 2017 compared to 3.25 times as on 31 March, 2016. The total debt of Rs 10.04 crore consists of term loan of Rs. 6.81 crore and unsecured loans from promoters of Rs. 2.03 crore with Rs.1.20 crore being current portion of long term debt. HTEPL's coverage ratios improved. The ICR stood at 2.28 times and DSCR at 1.70 times as on 31 March, 2017, from -1.23 times and -0.80 times respectively as on 31 March, 2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive reflected in the high Gross Current Asset days of 152 in FY2017 as compared to 136 in the previous year. This mainly comprises debtor days of 54 and inventory days of 45 in FY2017 as compared to 32 days and 52 days respectively in FY2016. The utilisation of cash credit account

is almost full.

Analytical Approach

SMERA has consolidated the financial risk profiles of Harish Textile Engineers Private Limited and Harish Enterprises to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on HTEPL's facilities may 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 steep decline in operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 50.37 | 51.67 | 51.46 |
| EBITDA | Rs. Cr. | 2.52 | (2.47) | 2.94 |
| PAT | Rs. Cr. | 1.70 | (4.17) | 0.48 |
| EBITDA Margin | (%) | 5.01 | (4.77) | 5.72 |
| PAT Margin | (%) | 3.37 | (8.08) | 0.93 |
| ROCE | (%) | 17.06 | (26.16) | 12.04 |
| Total Debt/Tangible Net Worth | Times | 2.15 | 3.98 | 0.60 |
| PBDIT/Interest | Times | 2.28 | (1.23) | 5.58 |
| Total Debt/PBDIT | Times | 2.85 | (7.35) | 1.48 |
| Gross Current Assets (Days) | Days | 152 | 136 | 160 |

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

Not Applicable

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|---------------------------------|-----------|--------------------|-----------------------------|
| 31 Aug, 2017 | Cash Credit | Long Term | 6.00 | SMERA BB- (Indicative) |
| 20 May, 2016 | Cash Credit | Long Term | 6.00 | SMERA BB-/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 | Not Applicable | Not Applicable | Not Applicable | 6.00 | SMERA BB- / Stable |

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ABOUT SMERA

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