

Press Release

HARI & Co

27 January, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 23.54 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as SMERA BB) and assigned short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 23.54 crore bank facilities of HARI & CO. The outlook is '**Stable**'.

Hari and Co (HC), a Tamil Nadu-based partnership firm was established in 1985 by Mr. Annamalai Samy. The firm provides freight forwarding, logistic services for importers and exporters and also acts as a custom house agent. Further, the firm exports agricultural and infrastructural products to Maldives.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The firm has long operational track record since it was established in 1985. Mr. Annamalai Samy, Chairman possesses more than four decades of experience in the industry.

- **Moderate financial riskprofile**

The financial risk profile is moderate marked by healthy net worth of Rs. 38.37 crore as on 31 March, 2017 (Provisional) as against Rs. 27.72 crore a year earlier. The gearing stood low at 0.70 times as on 31 March, 2017 (Provisional) as against 0.94 times a year earlier. The ICR improved to 7.36 times in FY2017 from 2.94 times in FY2016. This is on account of decrease in interest cost to Rs. 4.12 crore in FY2017 from Rs. 6.80 crore in the previous year. The DSCR stood at a healthy 3.26 times in FY2017 (Provisional) compared to 2.94 times in FY2016. The net cash accruals are healthy at Rs.18.72 crore in FY2017 (Provisional) and Rs. 13.20 crore in FY2016. The NCA/TD stood at 0.70 times as on 31 March, 2017 (Provisional) and 0.51 times a year earlier.

- **Improvement in marginsY-O-Y**

The firm registered EBITDA of 25.92 per cent in FY2017 (Provisional) as against 17.65 per cent in FY2016 on account of decrease in raw material cost and increase in income from logistics services. Also, the handling expenses fell in FY2017 and FY2016 over FY2015. The PAT margins improved to 12.42 per cent in FY2017 (Provisional) from 7.98 per cent in FY2016 on account of decrease in interest cost to Rs. 4.12 crore from Rs. 6.80 crore in FY2016.

- **Established relations with customers**

The firm has been catering to reputed companies such as State Trading Organization (80 per cent shares of Maldives Government), Apollo Holdings Private Limited, Nalahiya Trading (Maldives) for over three decades.

Weaknesses

- **Working capital intensive operations**

The working capital cycle of HC elongated in FY2017 (Provisional) evident from the high GCA days of 235 in

FY2017 (Provisional) as against 133 days in FY2016. This is on account of rise in receivable days to 167 in FY2017 from 88 in FY2016 as a result of increase in income from services. The creditor days are stretched to 202 in FY2017 (Provisional) from 50 in FY2016. The bank limit utilisation stood at 90 per cent for the six months ending July, 2017. However, HC receives adhoc limit of Rs. 3.00 crore as overdraft for seasonal work orders.

• Geographic concentration risk

Around ~90 per cent of the export sales of HC are to Maldives. Adverse economic changes in Maldives may impact the profitability margins of the firm.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Hari & Co. to arrive at the rating.

Outlook: Stable

SMERA believes that HC will maintain a Stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the firm registers more than expected growth in revenues while achieving improvement in its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	117.00	113.71	103.99
EBITDA	Rs. Cr.	30.33	20.08	17.40
PAT	Rs. Cr.	14.54	9.07	8.14
EBITDA Margin (%)	(%)	25.92	17.65	16.73
PAT Margin (%)	(%)	12.42	7.98	7.83
ROCE (%)	(%)	43.96	31.63	32.61
Total Debt/Tangible Net Worth	Times	1.70	1.38	1.68
PBDIT/Interest	Times	7.36	2.94	3.18
Total Debt/PBDIT	Times	0.88	1.30	1.25
Gross Current Assets (Days)	Days	235.35	133.11	139.06

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26-May, 2016	Secured Overdraft	Long Term	INR 4.00	SMERA BB / Stable (Reaffirmed)
	Packing Credit	Long Term	INR 19.5	SMERA BB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 0.04	SMERA BB / Stable (Reaffirmed)
10-Jun, 2015	Secured Overdraft	Long Term	INR 4.00	SMERA BB / Stable (Assigned)
	Proposed Cash Credit	Long Term	INR 0.04	SMERA BB / Stable (Assigned)
	Packing Credit	Long Term	INR 19.5	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	0.04	SMERA BB / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BB / Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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