

## Press Release

**HARI & Co**

27 January, 2018

### Rating Reaffirmed and Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 23.54 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	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)

## Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a></p> <p>Namita Palve Analyst - Rating Operations Tel: 022-67141129 <a href="mailto:namita.palve@smera.in">namita.palve@smera.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

