

## Press Release

Hari & Co

September 23, 2019

Rating Downgraded



<b>Total Bank Facilities Rated*</b>	Rs. 23.54 Cr.
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BB/Stable)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A4+)

\* Refer Annexure for details

### Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.23.58 crore bank facilities of HARI & CO (HC).

The downgrade of the rating reflects delays in servicing of its debt obligations, owing to stretch in its liquidity.

Hari & Co (HC) was established as a partnership firm in the year 1985 started by Mr. Annamalai Samy. The firm is engaged in providing forwarding and logistics services for export and import and also act as a custom house agent. The firm is also engaged in exporting agricultural and infrastructure products to Maldives. It is a part of Hari group.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of HC to arrive at this rating.

### Key Rating Drivers

#### Strengths

- Experienced management and long track record of operations**

The promoters of HC are Mr. M Annamalai Samy and family who possess more than three decades of experience in the trading, C and F, handling and logistics sector. It is a part of Hari group which is into freight forwarding, logistic services for importers and exporters and custom house agent. Acuite believes that the firm will benefit from the experience of the management over the medium term.

- Moderate financial risk profile**

The financial risk profile of the firm is comfortable marked by comfortable gearing (Debt-Equity), total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. The gearing and TOL/TNW are comfortable at 0.32 times and 0.57 times as on 31 March, 2019 (Provisional) as against 0.46 times and 0.84 times as on 31 March, 2018. Net worth stood at Rs.61.64 crore as on 31 March, 2019 (Provisional) as against Rs.59.76 crore as on 31 March, 2018. Of the total debt of Rs.19.69 crore as on 31 March, 2019 (Provisional), long term debt stood at Rs.12.60 crore and short term debt at Rs.7.09 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 3.65 times and 0.43 times in FY2019 (Provisional). Acuite believes that financial risk profile continues to be at similar levels over the medium term.

#### Weaknesses

- Delays in servicing of debt obligations**

The downgrade of the rating reflects delays in servicing of its term loan obligations for over 30 days, owing to slow realisation from customers led to stretch in liquidity.

#### • Working capital intensive operations

Operations are working capital intensive marked by high gross current assets (GCA) days at 185 days in FY2019 (Provisional) as against 88 days in FY2018. The same is on account of high debtors and advances to suppliers and others. Debtor cycle stood high at 112 days in FY2019 (Provisional) as against 58 days in FY2018 which led to fully utilised bank lines for the last six months through Aug 2019. Acuite believes operations are expected to be working capital intensive over the medium term.

#### • Volatile revenues and profitability

Revenues of the firm remained moderate and fluctuating from the last three years through FY2019 (Provisional). Revenues stood at Rs.154.47 crore in FY2017, Rs.301.79 crore in FY2018 and Rs.124.75 crore in FY2019 (Provisional). Increase in revenues in FY2018 is mainly due to increase in handling income of agricultural products and construction materials. Operating margins of the firm declined to 11.70 percent in FY2019 (Provisional) as against 13.91 percent in FY2018 and 20.13 percent in FY2017 due to competition and increase in trading business.

#### Liquidity Position:

The liquidity position of the firm is poor marked by working capital intensive operations and stretch in its liquidity leading to delays in servicing of its debt obligations. Operations are moderately working capital intensive with GCA days of 185 days in FY2019 (Provisional) lead to full utilisation of its limits over last 6 months through Aug 2019. It has reported modest cash accruals of Rs. 8.53 crore in FY2019 (Provisional). It expected cash accruals are in the range of Rs.11 crore – Rs.15 crore against repayment obligations of Rs.2.5 crore over the medium term. Its current ratio is moderate at 2.41 times in FY2019 (Provisional) as against 1.92 times in FY2018. Acuite believes that with modest accruals and working capital operations, the liquidity profile continues to be stretched over the medium term.

#### Outlook:

Not Applicable

#### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	124.75	301.79	154.47
EBITDA	Rs. Cr.	14.60	41.98	31.09
PAT	Rs. Cr.	4.03	20.97	14.43
EBITDA Margin	(%)	11.70	13.91	20.13
PAT Margin	(%)	3.23	6.95	9.34
ROCE	(%)	11.98	45.51	71.25
Total Debt/Tangible Net Worth	Times	0.32	0.46	0.91
PBDIT/Interest	Times	3.65	6.82	6.77
Total Debt/PBDIT	Times	1.35	0.66	1.16
Gross Current Assets (Days)	Days	185	88	210

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

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Nov-2018	Packing Credit	Long Term	13.00	ACUITE BB / Stable (Issuer not co-operating*)
	Over Draft	Long Term	4.00	ACUITE BB / Stable (Issuer not co-operating*)
	Cash Credit	Long Term	0.04	ACUITE BB / Stable (Issuer not co-operating*)
	Bank Guarantee	Short Term	6.50	ACUITE A4+ / Stable (Issuer not co-operating*)
27-Jan-2018	Packing Credit	Long Term	13.00	ACUITE BB / Stable (Reaffirmed)
	Over Draft	Long Term	4.00	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	0.04	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A4+ (Assigned)
26-May-2016	Over Draft	Long Term	4.00	ACUITE BB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.04	ACUITE BB / Stable (Reaffirmed)
	Packing Credit	Long Term	19.50	ACUITE BB / Stable (Reaffirmed)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE D (Downgraded)
Over Draft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE D (Downgraded)

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**About Acuite Ratings & Research:**

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